Daily Report

Latin America

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Cuba

Ministry Spokesman Cited on FBI Charges, Human Rights

PA1603181295 Havana PRENSA LATINA in Spanish 1622 GMT 16 Mar 95

[FBIS Translated Text] Havana, 16 Mar (PL)—Cuba today denied FBI charges about the alleged presence on the island of fugitives from U.S. justice.

Rafael Dausa, spokesman for the Cuban Foreign Relations Ministry, told a news conference in this capital that the U.S. agency has not yet made any contact with the Cuban Government concerning this issue.

We are dismissing these FBI charges and recall that, historically speaking, the United States has been the recipient of all kinds of murderers and criminals, as demonstrated in the case of the Nazis following the conclusion of [words indistinct].

The spokesman explained that the charges are based on statements by anti—Cuban congressmen, which were supported by the FBI director, and all of this is being dismissed by Havana.

In addition, Dausa said Cuba will continue cooperating, as it has been doing so far, with all international human rights organizations, because it has nothing to hide, but many things to be proud of in this field.

In replying to another question, he said: "We still oppose supporting the activities of a rapporteur appointed by the Human Rights Commission, because this has been imposed by the United States as part of a campaign against our country."

Later, commenting on reports that claim the Cuban Government is willing accept the possible mediation of Central America to improve relations with Cuban emigrants, he said contacts with this sector are continuing normally without the intervention of third parties.

He announced that this year there will be significant events along these lines, just as in 1994.

Finally, he confirmed the upcoming visit to Cuba by Iran's trade minister, who will be accompanied by a technical group. He explained that this visit is designed to continue talks aimed at signing a future agreement, which will include exchanging oil for Cuban sugar.

Castro Comments on Political Prisoners

FL1603153495 Havana Radio Rebelde Network in Spanish 1000 GMT 16 Mar 95

[FBIS Translated Text] On the fourth day of a visit to France at the invitation of UNESCO, Commander Fidel Castro will visit the locality of Burgundy, approximatedly 200 km from Paris, as a guest of (Gerald Bourgone), the most important French wine businessman.

Following yesterday's visit to the humanitarian organization France-Libertes in Paris, Castro told reporters that Cuba has written one of the most beautiful pages in terms of respect for human rights, and that is the truth of the Revolution. Regarding the existence of political prisoners in Cuba, Fidel said that they exist like everywhere else in the world, and in Cuba, in particular, for actions against the Revolution and spying for the United States. Fidel also told correspondents that at a request of France-Libertes, which is headed by Danielle Mitterrand, wife of President Francois Mitterrand, he was going to introduce in Cuba a proposal to form a small group, headed by a member of France Liberte, and other members appointed by Cuba to investigate the situation of individuals in whom this organization is interested.

On the third day of his trip to France, Fidel toured the Palace of Versailles and later told reporters that it feels like he has lived several centuries in only a few days.

Castro Views Meeting With Danielle Mitterrand

FL1603173395 Havana Radio Progreso Network in Spanish 1236 GMT 16 Mar 95

[From the "First Thing" program]

[FBIS Translated Text] Today, Cuban President Fidel Castro visited the France-Libertes Center. The visit highlights the relations between Cuba and this organization. Danielle Mitterrand, director of the organization, and her husband French President Mitterrand have both reiterated their opposition to the U.S. blockade of Cuba because it is unfair and goes against the principles that should govern international relations in these very complex times faced by mankind.

[Begin recording] [Unidentified speaker] There are other people from the organization who are out in missions. We have a very difficult mission in Kurdistan, Iraq, and Syria. [end recording]

Following a conversation between Fidel Castro and Danielle Mitterrand, both held a press conference with the Cuban and French media that has been following and reporting on the visit.

[Begin recording] [Castro, with simultaneous translation into French] In Cuba there have never been cases of missing people, political crimes, and no one has ever been tortured. I think that Cuba has written one of the most beautiful pages regarding respect for mankind and human rights. Cuba has the most dignity among the community of states and it does not seek to control others countries, that is the truth about Cuba, and we are very proud of it, that is my answer. I have the honor of having known Danielle for a long time; informally, that's how I refer to her. I am convinced that she is the most noble and generous person, as well as the most sensitive to the human problems, that I know. She knows quite a lot about Cuba, not some caricature of Cuba, but the real Cuba. She knows all what Cuba does for its children, education, health, and its people amidst a ferocious

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blockade. She knows this, not some caricature of Cuba. She is aware of the things that are said about Cuba and she is aware [words indistinct] in those countries. I know her and I have felt great admiration for her exquisite sensibility in human affairs. We have always talked about this issues.

[Unidentified correspondent] French businessmen are willing to breach the blockade.

[Castro] French businessmen breached the blockade a long time ago. They have had business relations with Cuba for a long time. I have spoken about my visit to France as a consequence of the UNESCO invitation. This was made possible due to the courageous position of France, and especially the courageous position of President Mitterrand, who has not placed any obstacles or objections to our trip. On the contrary, he has welcomed us with the hospitality France is famous for, and in the normal fashion one might welcome a visiting friend. I would like to stress that I feel great admiration for President Mitterrand, for his courage, and the strength with which he has opposed the unfair and cruel blockade the United States has imposed on Cuba.

I do not visit just any place, rather I visit places where there are brave people that do not give in to pressure or fear the anger of the United States. That is why I have always respected President Mitterrand. I think that his prestige, and role in France's history continues to grow. Allow me to add one more thing: I am fully convinced that Mitterrand has written a brilliant page in the history of France, and he will be remembered as one of France's great leaders. [end recording]

Concludes Visit to France

FL1703030595 Havana Cuba Vision Network in Spanish 0100 GMT 17 Mar 95

[From the "NTV" newscast]

[FBIS Translated Text] Commander in Chief Fidel Castro concluded his four-day visit to France today, after having participated in the Social Development Summit in Copenhagen. Fidel arrived in Paris on 13 March on UNESCO Director General Federico Mayor Saragosa's invitation. French President Francois Mitterrand welcomed the leader of the Cuban Revolution in Paris with military honors. As part of his tight schedule, the Cuban president met approximately 300 businessmen from the National Council of French Employers on favorable investment conditions in Cuba. The leader of the Revolution visited the Palace of Versailles last night and met members of the France Liberty Foundation, an organization chaired by Danielle Mitterrand—the French president's wife. Fidel traveled to the Bourgogne region—approximately 200 kilometers outside of Paris—on the invitation of (Gerard Bergoyne), a friend to Cuba and one of France's most important agricultural businessmen. Fidel and (Bergoyne) toured an industrial center and vineyards in the City of (?Chablis)—in the center of France—that belong to (Bergoyne) The Cuban leader also visited other sections of (Bergoyne) enterprises, including a poultry farm for which Fidel had to wear a white plastic uniform. (Bergoyne) enterprises currently include approximately 30 factories with an income of 5 billion francs or approximately $1 billion. The French businessman, who opposes the U.S. blockade, told reporters that he first met Fidel in 1982 and that the two have met on numerous occasions since.

Foreign Minister Comments on Return To Havana

FL1603142795 Havana Cuba Vision Network in Spanish 0100 GMT 16 Mar 95

[From the "NTV" newscast]

[FBIS Translated Text] Foreign Minister Roberto Robaina arrived in Cuba on 15 March after forming part of the Cuban delegation led by Commander in Chief Fidel Castro that participated in the World Summit for Social Development in Denmark. Upon his return to Havana, Fidel's visit to France and participation in the World Summit for Social Development in Denmark were the basic issues Robaina discussed.

[Begin recording] [Robaina] The importance of the meeting in Copenhagen for us lies in having succeeded in achieving a high level of sensitivity from a large number of heads of state. All heads of state in attendance—independent of affiliation to the ideology or current political project—all concur in the necessity of fighting such an important problem as poverty and recognize the great steps that remain be taken to accomplish this. If something has resulted from Copenhagen, it is the increased sensitivity to this issue.

Now, to me the most important issue is that Copenhagen not be just a summit of intentions. I think it must stop being a summit of intentions and become a summit that produces actions and concrete results. I think this is the challenge Copenhagan faces, and, above all, the challenge those who participated in the Copenhagen summit face, especially the state heads who delivered marvelous speeches there. Poverty is not fought with marvelous speeches, however.

As you all know there is a second part for we Cubans, which is especially important event in Copenhagen, that has to do with the invitation extended to our president to appear in the UNESCO hall, where he delivered a speech, where I assume all were interested in his words. Parallel to this he was invited to France, an invitation he accepted; he is now continuing his visit. He has held superb meetings with high authorities, particularly with President Mitterrand, and a large part of his visit relates to economic matters. This has resulted, as you know, in certain French businessmen now having a firm understanding of work, trade and economic relations with Cuba.

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I think it is very important, and it must prompt many levels of discussions, understanding and opinions that... [pauses] Cuba is a uniquely isolated nation, but all who attended the Copenhagen summit heard—and which our president spoke of—about the support of all in Copenhagen, and also the level of communication and exchange with France that Cuba has at this time. The word Fidel used is very important. The apartheid relationship Europe has with Cuba has just been broken. And it was broken by a loaf of French bread.

[Unidentified correspondent] Today it was disclosed that the U.S. Embassy in France had been exerting pressure, chiefly on French businessmen and the government, to put pressure on Cuba. How have the businessmen reacted to this?

[Robaina] It is very difficult for me to speak about reactions without knowing the details. Actually, this was disclosed today. What I do know is that pressures such as these have not just been exerted recently, that they have always been present in all attempts at opening trade relations with Cuba. The French businessmen have now responded not only with the important meeting they held with Fidel in France, but in the visits they have made to Cuba, and with the investments they currently have in Cuba. We must prepare ourselves because the pressures will not ease up. I would say they will tend to increase, as the encounters options to overcome the situation. I am not saying the pressures come from all the government, or all U.S. citizens, I am saying, as I have said before, that certain congressmen with Machiavellian designs propose solutions or plans such as those you are already aware of that they have attempted to impose recently. Especially in their desperation they have seen that Cuba has contacts and ways to overcome the situation. [end recording]

Commentary Addresses Need for 'Grounded' Exchange Rate

FL1603225195 Havana Radio Rebelde Network in Spanish 1800 GMT 16 Mar 95

[From the "National Radio News"]

[FBIS Translated Text] AIN has carried a commentary that reads: The Cuban peso is in need of an economically grounded exchange rate. The official exchange rate should never drop to 140 pesos to the dollar—the current black market rate—and will never reach the idyllic rate of one peso to the dollar. This is how economists, scholars, and state officials feel about this issue, which is already being debated as part of the transformations taking place in Cuba. This was evident during the Fourth National Association of Cuban Economists Congress.

The commentary notes that many delegates and guests expressed support for such a measure, saying that it would allow Cuba to continue making progress and strengthen financial recovery program successes.

The exchange rate is nothing more than the price of one currency expressed in terms of any other currency. It helps measure cost—that is, how much it costs Cuba to purchase a foreign currency unit. It is difficult to determine the cost of producing anything in Cuba, whose open economy requires a higher number of imports in almost every production sector. The lack of a rationally set rate distorts prices and accounting systems, among other things.

Experts believe that it is impossible to effectively control the economy unless all the factors shaping currency circulation are considered.

Tania Garcia, a specialist from the Americas Studies Center, believes that the exchange rate is the tip of the iceberg, should help measure economic efficiency, and serves as a tool to implement a clear and well-defined economic policy.

Finance and Prices Minister Jose Luis Rodriguez said recently that it will soon be necessary to adjust the parity of the peso in connection with other currencies and described such a measure as unavoidable. He acknowledged that it takes time to implement such a thing and that favorable conditions are required.

Arturo Guzman, director of the research institute of the Finance and Prices Ministry, is also of the opinion that it is imperative to establish some type of exchange rate for the peso. Guzman believes that this would solve the problems created by the current official rate parity, which underestimates imports and stimulates productive consumption while undercutting the value of Cuban products.

The peso would eventually acquire an exchange value, which is needed to attain true economic integration with the world and end today's currency duality.

Iranian Legislators Express Interest in Receiving Sugar

FL1703031195 Havana Cuba Vision Network in Spanish 0100 GMT 17 Mar 95

[From the "NTV" newscast]

[FBIS Translated Text] The Islamic Republic of Iran would like to develop its sugar industry, as well as receive Cuban sugar. Ali Danesh-Monfared, president of Iran's Friendship with Cuba legislative group, explained to Sugar Industry Minister Nelson Torres that this visit will allow for the expansion of bilateral ties between the two countries. He pointed out that Cuba and Iran maintain important ties of friendship and that both countries pursue identical goals. He added that both countries stand together against Yankee imperialism. The Iranian legislators were briefed on the Cuban sugar industry's characteristics, potential, and difficulties. Ali Danesh-Monfared explained that his country is willing to help Cuba and to be helped by Cuba, despite the difficulties that the two countries face.

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Politburo Member Assesses Potato Harvest

FL1703032395 Havana Cuba Vision Network in Spanish 0100 GMT 17 Mar 95

[Report by correspondent Ilda Suarez; from the "NTV" newscast]

[FBIS Translated Text] Conserving potatoes stored in refrigerated facilities is one of the strategies of the current harvest. Havana, at the height of its harvest, has more than 70 percent of the potato harvest in cold storage. We learned during a tour through the agricultural areas of Alquizar, Quivican, and Guira de Melena that more than 10 percent of crops have been harvested and that the yields correspond to the estimates. Jose Ramon Machado Ventura, a Politburo member, comments:

[Begin Machado recording] The potato harvest has been good overall this year, from what we have been able to see. We have visited almost every other province, in addition to Havana, which is the province that plants the most. The harvest has been good. [end recording]

Machado added that the harvest has been characterized by its stability and organization, respecting all the necessary steps to guarantee good results and begin preparations for the spring planting season:

[Begin recording] [Suarez] What do you think is the most important thing accomplished so far?

[Machado] The most important thing here is that the harvest was well organized from the beginning and the work force was guaranteed. They have planted in all provinces. I would say that is the case in almost every one. We hope to use the experience that we have gained in the coming years. [end recording]

Roundup of Economic Developments

FL1703010295

[FBIS Editorial Report] The following is a compilation of reports on Cuban economic developments monitored through 16 March.

The Tropicana recently held its own economic efficiency assembly. The Tropicana says that it hopes to surpass last year's $8 million in revenues by $1 million this year and that it hopes to draw more tourists this year than the 97,800 it drew last year. Employees saved 20 percent of the allotted fuel and used only 80 percent of their assigned energy quota in 1994. (Havana Radio Progreso Network in Spanish 1200 GMT 9 Mar 95)

The Campanas de las Villas construction brigade has resumed its work on the second phase of the embankment between Caibarien and Cayo Santa Maria. (Havana Radio Rebelde Network in Spanish 1800 GMT 9 Mar 95)

Havana and Havana City Provinces are ready for the potato harvest. They hope to harvest more than 5.4 million quintales of potatoes this year, 2.4 million of which will be stored for later use. (Havana Radio Reloj Network in Spanish 2044 GMT 9 Mar 95)

Weeds plague more than 6,000 caballerias of Sancti Spiritus Province. Several brigades have been mobilized to weed areas by hand to increase the quality of crops and yields. (Havana Cuba Vision Network in Spanish 0100 GMT 10 Mar 95)

Doctors Without Borders has donated a $120,000 water treatment system to Santiago de Cuba City to service approximately 500,000 people. (Havana Radio Reloj Network in Spanish 2050 GMT 10 Mar 95)

Ho Chi Minh City textile workers have sent Cuba a solidarity donation worth $11,000. (Havana Radio Reloj Network in Spanish 2059 GMT 13 Mar 95)

Although areas in western Cuba are expected to harvest the most potatoes, the Paquito Gonzalez cooperative—in Baragua, Ciego de Avila Province—has not only increased its yield to a record 9,200 quintales per caballeria but also reduced costs. Orlando Lugo, president of the National Association of Small Farmers, reports that farmers in Havana, Ciego de Avila, Matanzas, and Villa Clara Provinces have planted 175 caballerias of potatoes. (Havana Cuba Vision Network in Spanish 0100 GMT 14 Mar 95)

The Cuban rail service has restored service on several routes to improve transportation. The service also reports that workers have completed $2 million in repairs on the central station's elevated tracks. (Havana Radio Rebelde Network in Spanish 1800 GMT 14 Mar 95)

A Spanish solidarity group has donated 150,000 kg of antihistamines and other medicines to Cuba. The package will be delivered to rural hospitals in mountainous regions. (Havana Radio Rebelde Network in Spanish 0000 GMT 15 Mar 95)

A German delegation led by the president of the LTU Company has donated medical supplies to Cienfuegos hospitals. The DM300,000 donation includes medicine, briefcases, anesthesia, computers, and clothing. (Havana Radio Rebelde Network in Spanish 0000 GMT 15 Mar 95)

Santiago de Cuba's "Agro '95" operation is progressing well, with 50,000 quintales of tubers having been received and stored since the end of February. Distribution of the tubers began at a rate of five pounds per capita. A total of 18,000 quintales have been sold to the public so far. (Havana Radio Rebelde Network in Spanish 0000 GMT 15 Mar 95)

Over 30,000 quintales—approximately 50 percent—of winter tomatoes have been harvested in San Antonio del Sur Municipality, Guantanamo. Some will be shipped to processing plants to be pureed and some will be distributed to the municipality. Agricultural workers expect to

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produce 70,000 quintales of tomatoes in 1995. (Havana Radio Reloj Network in Spanish 2051 GMT 15 Mar 95)

Ciego de Avila Province ended 1994 with Cuba's highest infant mortality rate: 13.3/1,000. Thanks to the efforts of all the health care sectors involved, the province has reduced the infant mortality rate to 11/1,000. (Havana Tele Rebelde Network in Spanish 1730 GMT 16 Mar 95)

The Matanzas Province potato harvest has yielded 72,100 quintales as of 15 March, 47,000 of which were sent to cold storage facilities. (Havana Radio Rebelde Network in Spanish 1000 GMT 16 Mar 95)

The shipping terminal at the Palo Alto bulk shipping complex, in Ciego de Avila Province, has dispatched its first load. It included 750 tonnes of citrus concentrate bound for an unspecified European country. It took the workers 21 hours to store the cargo aboard the Cuban ship Rio Yatera. Operations at the bulk sugar shipping section began one week ago. (Havana Radio Rebelde Network in Spanish 1000 GMT 16 Mar 95)

Haiti

Aristide Explains Request for Constant Extradition

PA1603181895 Port-au-Prince Radio Metropole in French 1145 GMT 16 Mar 95

[FBIS Translated Text] President Aristide has confirmed that the request for extradition of Emmanuel Constant, coordinator general of FRAPH, the Revolutionary Front for the Promotion and Progress of Haiti, has been submitted to the U.S. Government. The extradition request, which also covers Mr. Constant's assistant, Louis Jodel Chambelain, was delivered by the Ministry of Foreign Affairs to the U.S. diplomatic mission in Port-au-Prince.

Speaking at a news conference on 15 March, President Aristide said: If those charged with making the justice system work do not fulfill their duties, they will be pushing the country to an absolute low point. This was in response to a question about the case of Emmanuel Constant.

[Begin Aristide recording, in Creole] Concerning the request for extradition of Emmanuel Constant, we in the government want this. It is a way of showing what justice means to us. We do not want impunity to spread throughout the country. Just as we reject vengeance and violence, we also reject impunity. Impunity means that I can kill people and the justice system does not punish me. We want to build a system, based in the law, that is able to question those people believed guilty, for subsequent trial in the courts.

We have officially asked for the extradition of Emmanuel Constant. Do we have the ability to place these men on trial? Yes. It would be regrettable if the wheels of justice now turn slowly, because this is the only chance we have to save this country. If the people charged with making the justice system work refuse to fulfill their duties, they will be pushing the country into complete catastrophe. We no longer use weapons to intimidate people; the law must make all respect one another. [end recording]

It should be noted that Justice Minister Joseph Exume indicated that the request for the extradition of Emmanuel Constant grew out of the report by the examining judge that was submitted by the government commissioner upon the nonpresentation of the accused, Emmanuel Constant and Louis Jodel Chamberlain, in response to the summons against them.

The U.S. special envoy, Ambassador James Dobbins, indicated that the visa issued to Mr. Constant a few days after U.S. sanctions against Haiti were lifted has been revoked. He asserted that Mr. Constant is now an illegal.

Aristide, Foreign Minister on Accord With MINUHA

PA1603175995 Port-au-Prince Signal FM Radio in French 1130 GMT 16 Mar 95

[FBIS Translated Text] On 15 March, an agreement was signed that defines the status of the UN Mission in Haiti [MINUHA]. Haitian President Jean-Bertrand Aristide and Algerian national Lakhdar Brahimi, the UN secretary general's representative in Haiti, pointed out that this ordinary agreement is not linked to the UN resolution defining the role of MINUHA but rather establishes the mission's rights and duties. President Aristide hailed the work of this mission.

Of note is the agreement's definition of how MINUHA will work in the country, the terms of its collaboration with the Haitian Government, and the status of its members as opposed to the status of Haitian citizens and institutions.

Here are the comments of Mrs. Claudette Werleigh, Haitian minister of foreign affairs:

[Begin recording] [Werleigh, in Creole] It is actually a frame of reference for how their people will work here—what the government has promised in terms of exemptions; their movement throughout the country; where they will live; the law governing them, as opposed to those governing Haitian citizens; what they have the right to do; what they do not have the right to do; how discrepancies, how problems will be solved; the scope of their authority. These are some of the things included in the agreement we just signed.

[Unidentified reporter, in Creole] What about the economic arena?

[Werleigh] No, no, no. It doesn't address the economic situation. [Words indistinct] authorization for them to operate. You must not forget that we come from... [pauses] that it is a government that already had foreign

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lawyers working for it and who are still continue advising it. But it is not... [end recording, in progress]

Commerce Minister Views Reduction in Fuel Prices

PA1703043895 Port-au-Prince Signal FM Radio in French 1130 GMT 16 Mar 95

[FBIS Translated Excerpt] Commerce Minister Maurice Lafortune has stated that the government has decided to reduce the price of oil products on the Haitian local market in response to repeated calls from the public transportation sector. For days public transportation workers have been asking the government to reduce fuel prices on the Haitian market to make their work easier. The commerce minister had this to say:

[Begin recording] [Lafortune, in Creole] The three companies met with the Finance Ministry, the Commerce Ministry, and BAP [expansion unknown]. We were discussing the next import because, as you know, fuel arrives each month. [passage omitted]

Three companies came here and presented their bids; that is, what they would charge to bring the fuel. I am going to tell you, and you will be the first to hear it. We must still send a note. Texaco has the best prices. Texaco will bring the fuel this month. Its prices are better than Shell and Esso.

[Jacques Maurice] Will that have any impact on fares?

[Lafortune] Well, no...[pauses] I cannot talk about fares yet. We would rather conduct a study to see if it is possible to reduce prices. We will study it.

[Maurice] The price of gasoline? Fuel?

[Lafortune] Yes. What I know for sure is that there will be no increase. I am very sure about that. There will be no increase in gasoline, diesel, or kerosene prices. [end recording]

That was Commerce Minister Maurice Lafortune.

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EZLN Agrees To Resume Talks With Government

PA1703132995 Mexico City NOTIMEX in Spanish 0600 GMT 17 Mar 95

[FBIS Translated Text] San Cristobal de las Casas, 16 Mar (NOTIMEX)—The Zapatist National Liberation Army (EZLN) has accepted a proposal to resume talks with the Mexican Government through the Concord and Pacification Commission.

In a communique dated 11 March, Subcommander Marcos pointed out he has already reestablished contacts via letters with the Mexican Government Secretariat and that he will open direct talks as soon as the Mexican Army returns to the positions it held on 8 February.

He said the Law for Dialogue, Conciliation, and Dignified Peace in Chiapas (southeastern Mexico) contains important and valuable elements to facilitate the creation of dignified conditions to resume talks.

Government Welcomes EZLN Willingness To Resume Dialogue

PA1703134095 Mexico City NOTIMEX in Spanish 0601 GMT 17 Mar 95

[FBIS Translated Text] Mexico City, 16 Mar (NOTIMEX)—The Mexican Government Secretariat today welcomed the Zapatist National Liberation Army's (EZLN) willingness to resume the peace dialogue, according to an official announcement.

Arturo Durazo, the Government Secretariat's director of communications, said the secretariat values the EZLN's willingness to resume contacts through Conai [National Mediation Commission] to secure a political solution to the conflict in Chiapas (southeastern Mexico).

Reading a communique, Durazo noted that, after receiving the EZLN response, the Government Secretariat has agreed to resume the peace talks. He also said the Mexican Government reiterates once more its commitment to secure a solution to the conflict that will guarantee a dignified and just peace for all.

Zedillo Signals Flexible Exchange Rate Policy

MS1703111395 London FINANCIAL TIMES in English 17 Mar 95 p 4

[Report on interview with President Ernesto Zedillo, by Stephen Fidler and Leslie Crawford; date and place not given]

[FBIS Transcribed Text] President Ernesto Zedillo of Mexico has indicated his preference for a flexible exchange rate policy to encourage exports and avoid the kind of peso overvaluation problems which led to the country's financial crisis.

In an interview Mr Zedillo said too much emphasis had been laid on the exchange rate to bring down inflation. The experience of the last decade "has not been very fortunate". "When we have had a devaluation, the export sector has reacted very quickly, but then we have put too much of a burden on the nominal exchange rate to attack inflation.

That has meant, sooner or later, an overvaluation of the exchange rate and a retreat in the export sector," he said.

"I think that has been very bad for our economy so I intend to push a policy in which we will be seeking stable prices but will not put too much of a burden on the exchange rate." The peso has been floating since December 22 when the government abandoned efforts to hold an exchange rate floor.

Mr Zedillo's government is under pressure from business leaders to establish a new exchange rate regime to reduce uncertainty about the peso, but the president said that could not be done at present because of a lack of foreign exchange reserves.

"As soon as we are able to accumulate a significant level of reserves, I think we should move into a more predictable exchange rate policy," he said.

His exchange rate proposal would mark a pronounced shift with the past. Successive Mexican governments have used the exchange rate as a central tool in the fight against inflation, but this has led to damaging devaluations four times in the past 25 years.

Mr Zedillo said the export sector would be one of the important sources for growth for the economy, and this would require putting guidelines in place allowing exporters "to foresee the evolution of the nominal exchange rate". The government would aim, he suggested, to preserve very approximately the real value of the exchange rate.

Such a policy is similar to Chile's current exchange rate regime, where the currency is allowed to fluctuate within broad bands set with reference to a calculation of the real exchange rate.

The policy has been credited with helping exporters and skewing investment over time into the export sector.

The president said a currency board arrangement—in which Mexican currency could only be issued if backed by foreign exchange reserves—could only work if "you believe you can have international inflation levels and in order to answer that you have to answer many other questions".

Mr Zedillo appeared calm and self-contained, despite the economic and political crisis that has raged almost since he took office. In contrast to his predecessor Mr Carlos Salinas, he gave the interview alone, rather than surrounded by advisers and other attendants.

His office contained a picture of Mr Luis Donaldo Colosio, the ruling party's presidential candidate who was murdered in March last year, and was in keeping with his image of personal austerity.

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Austerity was the message of a tough economic package announced by the government last week which is likely to result in a deep recession this year. Mr Zedillo said this was a programme aimed at overcoming an economic emergency.

In the long run, he said, "we want a growing economy and that should be based to a large extent on the promotion of domestic savings". "We know that for that we have to undergo very substantial tax and institutional reforms that we will be developing over the next few months."

He said that there was no reason to change any of the structural economic reforms so far undertaken in Mexico.

Figures released late on Wednesday suggested Mr Zedillo's expectation of a rapid rise in exports could be fulfilled. Preliminary figures from the Bank of Mexico suggested that the country's trade swung into surplus in February for the first time since November 1990. The surplus of $452m, which compares with a $530m deficit in January and a $1.51bn deficit in February 1994, suggested the current account of the balance of payments was broadly in balance, the central bank said.

The turnaround was the result of a rise in exports to $5.62bn, 24.1 per cent higher than in February last year, while imports fell 14.4 per cent compared with a year earlier to $5.17bn. Imports not related to subsequent exports fell 28.4 per cent the central bank said.

Despite the announcement of the programme, broadly greeted by investors as coherent though belated, the peso continues under pressure. Yesterday, the peso closed at 7.15 to the dollar, compared with 6.95 on Wednesday.

Mr Mauricio Gonzalez, head of GEA, an economic consultancy based in Mexico City, said his projections suggested that it would be the turnaround in the country's current account—rather than any change in heart by international investors—that would begin to turn the peso around.

These benefits could begin to come through within weeks, he said. The trade surplus could rise to as high as $2.3bn-$2.4bn in May and June, he said.

Banxico Announces Funding for Portfolio Restructuring

PA1703004795 Mexico City LA JORNADA in Spanish 14 Mar 95 p 36

[Report by Patricia Munoz Rios]

[FBIS Translated Text] Less than four days before the government disclosed its economic program, the Bank of Mexico [Banxico] announced that the resources banks may use to restructure portfolios in arrears will increase from 65 to 83 billion new pesos; in other words, an additional 18 billion was earmarked to "allow" the banking sector "to make considerable improvements to its credit portfolio." This is a 27.7-percent increase over what had been initially programmed.

Banxico Deputy Governor Jesus Marcos Yacaman reported the aforementioned information at the annual seminar of the National Association of Mexican Importers and Exporters (ANIERM), where he said financial authorities have decided to offer significant support to banks so they can expedite the conversion of their credit portfolios.

It is predicted that this program will offer national banks the opportunity to exchange liabilities in terms of "investment units" (udis). In addition, although receipts are not expected to be large in the beginning, it was decided to increase the amount allocated for debt conversion.

Estimates indicate that this program will allow banks to restructure portfolios worth up to 83 billion new pesos, which is 18 billion more than initially programmed, Yacaman stated.

He explained that this will be an important contribution for depositors, who are burdened by high nominal interest rates. It will also create new opportunities for considerable improvements in banks' credit portfolios, which will help them overcome the current problems.

According to the Banxico deputy governor, if the adoption of a floating exchange rate and the introduction of investment units forces changes in the way monetary policy is conducted, it will in no way modify the fundamental objective of seeking stability for the purchasing power of the peso.

"We have made a great effort to combat inflation, not because we consider it a goal in itself but because it is a necessary condition to reach sustained economic development with social justice," the official affirmed.

He remarked that in light of the reduction of inflationary pressure and the volatility of the exchange rate, the Banxico Governing Board resolved to establish a ceiling of 10 billion new pesos for the increase of internal net credits that will be granted in 1995.

Yacaman explained, however, that the stability of the exchange rate must be viewed as a lack of volatility, not as absolute rigidity. "The flexibility" of the exchange rate is indispensable to allow it to reach equilibrium in the mid- and long-term, although from the microeconomic viewpoint, stability in parity is essential to facilitate the decisionmaking process, the official asserted.

He added that the floating exchange rate does not mean it will evolve erratically or that it will show an inexorable depreciation.

He said that the stability of the exchange rate within the flotation system must be sought through the management of monetary policy, particularly Banxico credit. Yacaman added, however, that "it does not mean the

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authorities will not intervene in the foreign exchange market to soften peso fluctuations."

The use of the Parity Stabilization Fund, made up of resources supplied by foreign financial authorities and the IMF, "will also be very useful in reducing exchange volatility."

He noted that the futures foreign exchange market will start operating shortly, and the Chicago Mercantile Exchange could reopen this market so it starts operating next month.

Ernesto Warnholtz, chairman of the Quadrum Bank Administrative Council, also participated in the meeting. He said that a fundamental point for economic recovery is the restructuring of banks' overdue portfolios; hence the importance of the "udis" program and the decision to increase from 65 to 83 billion new pesos the amount of resources available to banks to restructure credit portfolios.

Enrique Vilatela, director of the Foreign Trade National Bank, also participated in this forum. He told this sector that there will be financing for imports and exports, and associations of small companies will be promoted along with the integration of companies to the exporting network, particularly indirect exporters.

Banking Association Head Views Economic Prospects

PA1703020695 Mexico City UNOMASUNO (ECONOMIA Supplement) in Spanish 14 Mar 95 p 1

[Report by Juan Carlos Ocampo]

[FBIS Translated Text] Jose Madariaga Lomeli, president of the Mexican Association of Bankers [ABM], has admitted that from the capitalization perspective, Mexican banks are at a high risk. He added, however, that the mechanisms established by Banco de Mexico will allow credit institutions to be totally capitalized by the end of March.

He emphasized that the multiple banking sector's debts in dollars have been paid on the due date. Contrary to any rumor in that respect, Madariaga Lomeli said that "no Mexican bank has left its debts unpaid."

He recalled that part of the credits obtained by our country are for Tesobonos [Treasury Bonds] and Cetes [Treasury Certificates] and to give us the assurance that we have a solid, trustworthy banking sector.

The banking official asserted that Mexico is facing its worst economic crisis in the past 50 or 60 years but that the program announced by the federal government is a good way to counter it. He noted, however, that a complete solution "can only be achieved if Mexicans are calm and confident, as those characteristics will result in foreign investment. [no closing quotation mark as published]

During a telephone interview, the ABM president stated that we must recognize the Mexican authorities' position in their acceptance of the fact that we will have negative growth, something that had not been done before. The banker stated: "A negative 2 percent GNP is already bad, but we could progressively get up to a minus 3 percent."

Likewise, Madariaga Lomeli said it is difficult to estimate the rate of unemployment caused by the current crisis but noted that it will surely increase in the next three or four months. Nevertheless, some companies will be hiring workers during this period, he added.

The banking official explained that the dollar and the state of our economy will prompt a strong decrease in imports, which will give several Mexican firms the opportunity to get ahead.

He asserted that the commercial balance, which is expected to have a deficit of approximately $30 billion by the end of 1995, will have a variable that is "balanced" in this aspect. That is to say, the banker added, that the fall of our imports and the increase of our exports will generate a totally different combination that will obviously create opportunities for Mexican companies that would have been lost if we had a cheap dollar.

As for Mexican financial authorities' negotiations to obtain international support, representative of the first-floor bankers said that despite the difficulties, they have gotten ahead and that the aid obtained was required by Mexico and will serve to establish a basic situation that will allow for the development of the economic program.

What is important, Madariaga emphasized, is to generate trust, and in this sense we must all make an extra effort. If that is done, "the rehabilitation period will be much shorter, hopefully just this year."

In conclusion, Jose Madariaga observed that everything President Ernesto Zedillo has done so far should be part of the optimism that we all must begin to have. We have to support his proposals because the president of the Republic has enormous perseverance, and he will further those measures. The banking sector supports him all the way because he will lay the foundations for long-term development in the country, the bankers' leader concluded.

Bankers Announce Support for Economic Action Plan

PA1703005095 Mexico City EL FINANCIERO in Spanish 14 Mar 95 p 36

[Communique issued by Mexican Association of Bankers "to the public;" place and date of issue not given]

[FBIS Translated Text] To the Public:

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The country's financial authorities announced on 9 March the application of the Action Plan To Strengthen the Agreement of Unity To Overcome the Economic Emergency.

This plan establishes profound and necessary measures that will permit the recovery of economic stability in Mexico. These measures affect all Mexicans, but they are indispensable to achieve stable and sustainable development as soon as possible.

In view of this difficult situation, the Mexican banking sector reaffirms its commitment to participate in the proposed solutions.

In upcoming days, and once the Congress of the union authorizes the Investment Units (UDI) plan, 65 billion new pesos will be earmarked to support national production through the reissuance of credit in UDI's for terms of five to 12 years, especially to small and midsize companies, if merited by their reliability and viability.

Banking institutions have also been strengthened through the Temporary Capitalization Plan, which, along with the support offered by the Savings Protection Banking Fund, will ensure absolute security for depositors and savers.

These times require an effort from everyone, and that is why we support this economic plan, which is promoted by the administration of President Dr. Ernesto Zedillo Ponce de Leon. The plan is geared toward overcoming short-term problems and recovering the firm bases of our growth as soon as possible.

Mexican Association of Bankers.

Canacintra Urges Members To Back 'Shock Plan'

PA1703010495 Mexico City EL FINANCIERO in Spanish p 35 14 Mar 95

[Report by Isabel Becerril]

[FBIS Translated Text] Victor Manuel Terrones Lopez, president of the National Association of Manufacturers (Canacintra), has called all members to close ranks and back the government's shock plan: "We don't like it, but we don't have any other choice to get the country out of this economic turbulence."

Terrones Lopez warns that if the plan does not receive support, the government could impose more drastic measures in three or four months when it sees that the program is not working, "and that would be worse."

Last Friday the Canacintra president met privately with assembly presidents from the metropolitan area and told them that even though the shock plan presents short-term problems, the first positive results could be seen in six months if the plan is supported. He added that the government has shown clear intentions to keep its promises.

In this respect, Canacintra Vice President Raul Picard del Prado advanced that they are working on factory policy but that it will not have good results if it is unaccompanied by the shock plan.

He stated that if the federal government really wants to reactivate the economy, it must begin with the industries. To this end, it is crucial that the government pay factories for its purchases immediately.

The industrial community will not accept an agreement on product prices again; everything must be left to supply and demand.

"We businessmen don't want to know anything about free trade agreements; we want to solve our internal problems first."

During a brief interview, the Canacintra vice president said the shock measures adopted by the federal government will have stronger repercussions for the working class than for factories.

There is a 5-percent increase of the value-added tax, but in the end the industries recover this tax. As for the increase in electricity, it was based on the tariffs charged for residential service.

Business Leaders Urge Rejection of VAT Increase

PA1603014295 Mexico City LA JORNADA in Spanish 14 Mar 95 p 39

[FBIS Translated Text] Private business leaders in the states have unanimously asked federal senators and deputies to "come out in defense of the Mexican people and to vote down" President Ernesto Zedillo's bill to raise the value-added tax (VAT) by 50 percent.

Jose Cabrera, president of the San Luis Potosi chapter of Coparmex [Employers Confederation of the Mexican Republic], has announced the creation of a common front with businessmen from the states of Nuevo Leon, Chihuahua, Jalisco, Aguascalientes, Guanajuato, Queretaro, Zacatecas, and San Luis Potosi in order to define actions to be taken at the regional level to protest the new economic policy unveiled last week.

Business leaders as well as PAN [National Action Party] members and convention goers who have staged demonstrations against the economic package in Guerrero and Veracruz States have asked why must the people keep paying for the government's mistakes? Why must the people pay for what others have stolen?

Jose Cabrera has said "we are opposed to this program not just because it is a unilateral measure but also because the government has done the opposite of what we have asked him. It is not that we are causing a rupture, but we believe our dissatisfaction needs to be heard and considered, given we have serious problems in surviving."

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The businessman has said Coparmex and other leading groups in San Luis Potosi are analyzing the possibility of suspending the payment of taxes, "because it is practically impossible to meet our debts with the treasury and our suppliers."

Meanwhile, the organizations affiliated with the Civic Council of Nuevo Leon Institutions [CCINLAC] began sending telegrams to the state's federal senators and deputies, demanding they reject the VAT, group leader Juan Ignacio Duran Reza has said.

The CCINLAC members announced in their telegrams: "Considering that you represent the residents of Nuevo Leon State, you must not be unaware of the great unhappiness created by the shock program the government and the economic cabinet announced."

The text of the telegram points to the federal legislators and states that far from easing the unemployment crisis, the new program will lead to large-scale closings of businesses and a greater loss of the purchasing power of wages.

They are also demanding that the federal government publicize the names of the individuals tasked with designing the new economic plan and who are in charge of implementing it, because they do not want to hear at the end that there are "no culprits" should the program fail.

The Coparmax leadership in Coahuila State has told Governor Rogelio Montemayor Seguy that its members will not accept increases in taxes or other fees at the state or municipal level and demanded greater clarity and efficiency in the handling of public resources.

Local Coparmex President Ernesto Garza Martinez has said they oppose the radical tax increases, which they consider an easy way out of the problems of public sector inefficiency and the misuse of resources, but he has expressed approval of the remaining economic measures.

He has said the VAT increase and other federal and state taxes represent an additional reduction in the people's purchasing power, which translates into a recessive increase of the federal government's proposed emergency plan.

As a result, the governor has said his administration is studying a second adjustment to the annual work program with a reduction in budgeted expenses, a reduction in the number of public works, and new public financing programs.

In Torreon, Canacintra [National Association of Manufacturers] and La Laguna Entrepreneurial Center leaders have rejected the 50-percent VAT increase and have requested a reduction of current expenses and a greater boost to small- and medium-sized businesses through parastate privatizations.

Separately, the top organizations in Colima and Veracruz, such as Canacintra, Canaco [National Chamber of Commerce], Canirac [expansion unknown], Coparmex, the Mexican Institute of Executives, and hotel, motel, and transporters associations have spoke out against the fiscal measures announced by Treasury Secretary Guillermo Ortiz, arguing the VAT increase will bankrupt the productive sector, because no products will be consumed.

After demanding that Colima legislators reject the VAT increase, the business leaders have said private business will exhibit them before the community as being responsible for future economic problems should their request be turned down.

The Veracruz Chambers of Commerce have warned they have not ruled out the possibility of carrying out "commercial strikes" in various parts of the state if they are not heard by their popular representatives in Congress.

A meeting was held during the afternoon opposite the Martinez de la Torre Municipal Palace and was summoned by the PAN [National Action Party], the PRD [Party of the Democratic Revolution], PT [Workers Party of Mexico], and the PVEM [Mexican Green Ecologist Party] to reject the increases in prices and VAT as well as restrictions on wages. The Democratic State Convention marched through the streets of the port of Veracruz and then held a meeting opposite the city hall.

Another mobilization, with about 100 PAN followers, was held in Acapulco, Guerrero State, where local Deputy Cecilia Sanchez de la Barquera said the program is unfair, particularly for those who have the least. The caravan-march departed the PAN municipal committee offices and passed through the tourist area watched by Municipal Traffic policemen.

Editorial Outlines Negative Reaction to Program

PA1703042095 Mexico City LA JORNADA in Spanish 16 Mar 95 p 2

[Editorial: "Worrisome Indicators"]

[FBIS Translated Text] The Action Plan To Strengthen the Agreement of Unity To Overcome the Economic Emergency, announced on 9 February by the finance secretary and geared toward calming the economic turbulence, has, on the one hand, elicited concrete reactions that have undermined the domestic financial market, and, on the other, prompted forecasts from various social sectors, the common denominator of which is pessimism.

The uncontrolled increase in the recent Treasury Certificates (Cetes) auction, as well as the increase in the average interbank rate, have introduced a marked distortion in the Mexican money market. If mechanisms to regulate this situation are not quickly implemented (something which seems highly unlikely at this time), the already weak national economy could deteriorate even further by encouraging financial speculation.

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The Bank of Mexico's [Banxico] need to attract funds to repay interest on its previous issues of Cetes, which are about to mature, and the auction of new issues offering disproportionate interest rates are threatening to unleash a dangerous vicious circle: acquiring more debt to repay existing debt.

The reappearance on the financial market of Cetes with a 14-day maturity (which have not been issued for the past five years) would seem to imply that the country's primary banking institution will need to have funds on hand in a matter of hours if it is to repay its maturing Cetes obligations. Given the more than 90 percent interest rate which these instruments are paying, Banxico is running the risk of contracting obligations that in the medium-term could become hazardous to its financial position.

At the same time, the drastic increase in interest rates applied by the banks puts the country's banking system in a similarly hazardous situation. If the new increase represents an immediate source of revenue for the banking system, it is also possible that it could detonate the already enormous amount of matured loans that are weighing heavily on the institutions that make up the system.

Parallel to this, estimates made by several private organizations, the labor sector, and various consumer associations predict a not too bright future for the country's economy and the majority of Mexican households.

In the short run (and keeping in mind that it was announced a week ago), the government's adjustment program, far from promoting confidence in the nation's stability, seems to have had the exact opposite effect insofar as it has intensified financial speculation and has not projected the much desired confidence to the international market (evidence of this lies in the fact that buyers of the interest yielding Cetes were not foreigners but local individuals and institutions).

These reactions are all framed within an obvious growing loss of control over the country's main economic indicators, which is correlative to a disturbing increase in the dissemination of groundless rumors. Despite a lack of foundation in the truth, such rumors promote apprehension in the economic environment (especially in the financial sector, where the quickest and most worrisome adjustments are taking place).

Faced with this unstable setting, we can only wait for reason to assist those specialists who predict, with moderate optimism, that the current "bubble" affecting the money market may deflate in the coming months, which is the only way to decompress the country's financial market and begin to restore the country's damaged economy.

Article: Economic Plan Burdens Poor

PA1703035795 Mexico City EL FINANCIERO in Spanish 14 Mar 95 p 28

[Article by Elvia Gutierrez and Luis Acevedo Pesquera]

[FBIS Translated Text] Before it has fully gone into effect, the Action Plan To Strengthen the Agreement of Unity To Overcome the Economic Emergency (PARAUSEE) has been severely questioned, and given that it favors the 20 percent of the population with the highest income, it is likely that it does not have the unanimous support of the legislative branch.

Businessmen, labor organizations, and political parties, including a sector of the Institutional Revolutionary Party (PRI), not only consider President Ernesto Zedillo Ponce de Leon's emergency plan as unviable but demand that the public sector make the same type of adjustments it is demanding from the population.

The public sector's most optimistic estimates indicate that this year more than 980,000 people will be unemployed in the first six or seven months of the PARAUSEE. This would virtually quadruple the 1994 employment drop admitted by the Labor and Social Welfare Secretariat.

In the context of the recent economic program, 67.31 percent of the predicted national unemployment this year will be concentrated in the urban sector, resulting in an increase in the informal economy, crime, and malnutrition.

Nevertheless, the most serious effect will be in the countryside, where unemployment will practically triple, going from 11 percent in 1994 to no less than 39.5 percent.

This would further concentrate national income and subject 80 percent of the population to the most intense sacrifice in Mexico's modern history.

According to the national survey of household income and expenses, the 20 percent of the population with the highest income concentrates more than 56.9 percent of GDP, and this percentage might even be higher due to the devaluation. Therefore, the tax increases or the fall in aggregate demand hardly affects it.

Instead, given the inflexibility of aggregate demand, for the other 80 percent of the population, any price increase constitutes a dilemma between paying or evading taxes in order to survive in the informal economy.

According to reports from labor and business organizations as well as the National Action Party (PAN) and the Party of the Democratic Revolution (PRD), the reinforced emergency program lacks a social basis, especially in the tax area, and therefore, it will only go into effect due to the PRI's majority party discipline.

"The increase in the value-added tax (VAT) is a regressive measure with negative effects...," a letter signed by PRI deputies warned. Under threat, the letter was canceled by leader Roque Villanueva to give way to the tax increase that will have negative repercussions on purchasing power and the national employment rate.

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The virtual authorization of a 50-percent increase in the VAT—which would go from 10 to 15 percent—would add to the federal treasury 59.9 billion new pesos, in addition to which the tax base would expand. This is without considering the derived effect of the increase in the prices of goods and services of the public sector, which will increase the collection not only of the income tax but particularly of the special tax on production and services.

According to official information from the Finance and Public Credit Secretariat and the National Institute of Statistics, Geography, and Information Science (INEGI), the effect on tax collection shows that due to the application of economic programs that have favored the concentration of income, practically 80 percent of the national population—which generates 43 percent of the GDP—will make the PARAUSEE viable.

Nevertheless, the 20 percent of the population that controls 56.9 percent of GDP will not only be unaffected by the tax increases but will be gain privileged access to the benefits of the emergency program.

That is why the PAN—at least its deputies—along with the PRD and the Employers Confederation of the Mexican Republic, are demanding that the administrative structure of the central government be further streamlined to produce effective reductions in public expenditures.

For this purpose, the merger of related secretariats or, in the best case scenario, the elimination of the Comptrollership, Tourism, and Agrarian Reform Secretariats, has been proposed. This would significantly reduce current expenditures beyond what is indicated in the emergency program, which aims to reduce wage and salary expenses by 9.7 percent compared to 1994 levels.

If capital expenditures are added to current expenses, not only those of the federal government's but of public corporations and organizations, the reduction could mean a savings of 303,758,000 new pesos, which is 18.20 percent of the GDP.

However, this figure is not comparable to the 19.9 billion new pesos that will be levied upon the Mexican population if the 50-percent VAT increase is approved.

In the coming months, unemployment will rise in the country's urban and rural sectors, where the unemployed will not have access to the informal economy due to the saturation of this survival option.

Estimates indicate that over 980,000 people will be laid off by the end of the year. The sectors most likely to lay workers off are manufacturing, where 295,000 jobs could be lost; business, 170,000; and services, 167,000, which as a whole would be 63.3 percent of the productive jobs registered at the Mexican Social Security Institute (IMSS).

The most serious conflicts would occur within the manufacturing sector, due to its tendency to continue laying off workers. The most vulnerable areas would be tobacco, lumber, oil refining, rubber and plastics, and the metal, food, and textile industries.

Additionally, employment within the rural sector would decline because of the possible loss of 30,000 jobs, which would imply that dismissals would increase 173 percent by the end of 1995 compared to last year's figure.

The economy may still weaken, mainly in the social area, and for the first time it has been confirmed that new job openings have been virtually eliminated.

This means that the open unemployment rate in urban areas may be 4 percent in the midterm, and would probably be higher than 4.4 percent by the end of 1995, according to estimates from INEGI and statistical data provided by permanent IMSS affiliates.

Regarding the widespread dismissal of people who still have paying jobs, it is noteworthy that over 15,000 employees may be laid off in the banking sector, to judge from the example of Mexico's leading banks, such as Banamex [National Bank of Mexico], Bancomer [Foreign Trade Bank], and Banca Serfin.

The construction sector is about to lay off at least 23,000 people from its current annual registered payroll due to the paralyzation of construction projects in the remainder of 1995.

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El Salvador

Policy of Circulating Dollar Assessed

PA1603161695 San Salvador EL DIARIO DE HOY in Spanish 13 Mar 95 p 8

[Report by Ismael Beltran Solano]

[FBIS Translated Text] The economic crisis that nations such as Mexico and lately Brazil and Argentina are going through have convinced El Salvador's Economic Cabinet even more of the "soundness of dollarization [dolarizacion]."

Finance Minister Manuel Enrique Hinds has said that dollarization would totally eliminate risk with regard to the exchange rate.

The minister indicated that currently there are many doubts as to what will happen in Argentina which had a fixed exchange rate. He also mentioned other nations that have gone through a crisis by having a fixed exchange rate such as several European nations. Meanwhile, Panama has not undergone any crisis regardless of what has occurred in other nations given that it is an international financial center.

Despite the other nations' crisis, there is stability in Panama with no sign of any devaluation because there cannot be one in nation where the dollar circulates.

He explained that a fixed exchange rate and convertibility is the road to dollarization and that there are many alternatives in terms of transition. These are being assessed taking into consideration the experiences of the neighboring nations.

In this regard, he reiterated that the policy has not changed and continues with the same goal: moving toward globalization. [sentence as published]

Fall of the Dollar

With regard to the decline of the dollar, Hinds indicated that the Salvadoran economy is a small economy within the dollar area, a giant area in which, whether we have our own currency or not, we must move in response to the dollar.

Therefore events in the United States have a significant impact on El Salvador.

Meanwhile, he reiterated that there is a difference between Argentina and Panama. He stressed that El Salvador is working toward dollarization and the elimination of the exchange rate and not toward the Argentine model.

He noted that the the Convertibility Law deals with the transition to dollarization.

Reserves in Dollars?

With regard to international reserves, the minister said that this has frequently been misunderstood as it is clear that the nation's reserves depend on remittances from expatriates.

He explained that the loss of a nation's reserves depend on how its macroeconomy is managed. He pointed out that even if El Salvador has the same volume, or double, or triple the amount reserves it can continue to lose reserves if it spends more than it receives, or if the Central Bank prints money without any backing, or if the nation has a very large fiscal deficit.

According to Hinds, in the past few months the economy has been managed in a very responsible manner and the Central Bank has printed money only to the extent that dollars are received. It has also reduced the fiscal deficit by six points and as a result reserves have increased. [sentence as published]

He indicated that with dollarization international net reserves totally lose their purpose. For example, in Panama no one knows the exact amount of net international reserves because the nation only imports when it has dollars.

He explained the availability of dollars is what determines the amount of transactions that can be carried out internationally. That is, the international reserves of the nation are in the hands of the private sector and the economy is managed as is any company within the dollar area.

If remittances fall in an economy where the dollar circulates what can occur is that the dollars in circulation decline, the cash available is reduced, and interest rates increase. This in turn creates an incentive for capital funds to flow in and also creates an incentive to decrease imports. Therefore, the market itself adjusts to a decline in remittances.

Guatemala

De Leon Returns From Europe, Discusses Local Issues

PA1603220395 Guatemala City SIGLO VEINTIUNO in Spanish 15 Mar 95 p 5

[Report by Carlos Castanaza Rosales]

[FBIS Translated Excerpt] Following his return to the country from his official European tour during 15 days and 15 nights—according to his own description—President Ramiro De Leon Carpio called a cabinet meeting to discuss the most pressing national issues that include: tax reform, the Minugua [United Nations Mission to Guatemala], the summoning of education minister, the coming presidential summit, the Harbury case, and others. [passage omitted]

Government Willing To Talk, But Unwilling To Negotiate Tax Reform

After presenting a detailed report on the expenses incurred during his trip to Europe, the president referred to the tax reform issue. In this respect he stated the government's willingness for a dialogue, since it has been

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possible to talk even with the URNG [Guatemalan National Revolutionary Unity]. However, no negotiations will be held with respect to the tax law since they are a already fact. Recalling Congress' approval of the law, he said this indicated that there are two branches involved.

He said that although there are measures that can be taken, he wanted to go on record as warning the private sector of the disastrous consequences that legal actions could have at the local and international level.

He noted the executive is firm in that respect because everything is part of a foreign exchange, loan, and tax policy package. Although he is not thinking of how this may hurt the government, which will have to hand over power in exactly 10 months, he is considering the consequences for society.

De Leon said that his government is willing to accept possible changes, suggestions, and comments by CACIF [Coordinating Committee of Agricultural, Commercial, Industrial, and Financial Associations] but it cannot forget that tax laws are already in force and that businessmen have not expressed a formal opinion since all they want is the repeal of the laws, and that is not possible. [passage omitted]

To conclude, De Leon said that he had the opportunity to meet with Cuban President Fidel Castro with whom he discussed the topic of Central American mediation to resolve the crisis in Cuba. He did not receive a negative or skeptical response from Castro.

De Leon and Honduran President Carlos Roberto Reina talked with Castro although they are aware of the need to reflect on their proposal and consult with other sectors in order to obtain positive results.

Guatemala, El Salvador Agree To Common Tariffs

PA1603191895 Guatemala City PRENSA LIBRE in Spanish 13 Mar 95 p 3

[Report by special correspondent Edgar Leonel Arana Paredes from Copenhagen, Denmark]

[FBIS Translated Text] After a meeting held with his Salvadoran colleague President Armando Calderon Sol, President Ramiro de Leon Carpio told us exclusively that Guatemala and El Salvador have agreed to common tariffs as of 1 April.

We agreed on common tariffs of 20 percent and 5 percent as of 1 April, the president said.

In addition to common tariffs, the presidents also agreed to levy a 1 percent tax on capital goods in the hope that this policy will be adopted by the rest of the Central American nations.

Our discussions with President Figueres indicate that Costa Rica will adopt the same tariff policy shortly, De Leon Carpio added.

According to the Guatemalan president, the benefits that will be obtained with this policy in long term are a more effective fight against corruption, better customs control, and leaving in place a long-term liberal trade policy for the next administration.

As of 1 January 1996, tariffs will change to 15 and 1 percent. This is a joint decision that will be applied at the same time in Guatemala and El Salvador as one more demonstration that Central America is committed to regional integration, De Leon Carpio said.

According to the short interview with President De Leon Carpio, the common tariff will force the technical teams of the Economics Ministries of both nations to work and convince the economic cabinets of the other Central American nations, particularly those of Honduras and Nicaragua, because Costa Rica is going to adopt similar measures in short term.

Exporters To Receive 200 Million Quetzals in Tax Credits

PA1603192395 Guatemala City PRENSA LIBRE in Spanish 13 Mar 95 p 150

[FBIS Translated Text] Finance Minister Ana de Molina has reported that during 1995, the Finance Ministry estimates that it will pay tax credits of at least 200 million quetzals to exporters and other trade companies as tax credits owed for more than one year.

One of this organization's main tasks for this year is to start paying the tax credits; exporters of nontraditional goods will be given priority. This is not only because the VAT [value-added tax] law allows them to credit this amount toward their payments to the government, but also because it is possible for them to offset the total amount with credits that are obtained within the month, Molina said.

In this regard, she explained that several procedures are being analyzed to meet the commitments made to taxpayers. One of these is using the corresponding credit to make their payments as trade companies. That is, that the companies will have the option of using their tax credit to make trade company payments.

If that amount were less we would still owe them, therefore we must talk with them to commit ourselves once again to a payment program, she pointed out.

The official expressed her surprise as a few days ago she had met with exporters to explain the situation. [sentence as published] *At that time I informed them that we were waiting for the financial results as this would allow us to commit ourselves to making the payments,* she said.

With regard to the total tax credit that the Finance Ministry owes, she indicated that it totals approximately 400 million quetzals as the amount is from previous years, not only from last year. *In 1994 this grew even more because many times there were tax payments of 9*

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percent and credits of 34 percent. This constituted a significant difference in favor of the taxpayer, she explained.

To conclude, she pointed out that there is no intention to discriminate against any sector, however, giving the export sector priority is understandable. This sector has received significant support from the government.

Honduras

Foreign Minister Tenders 'Irrevocable Resignation'

PA1603163995 San Pedro Sula TIEMPO in Spanish 16 Mar 95 p 3

[FBIS Translated Text] Tegucigalpa—Government sources have confirmed that Honduran Foreign Minister Ernesto Paz Aguilar has tendered his irrevocable resignation to President Carlos Roberto Reina before departing on a European tour with the president. The irrevocable resignation is on President Reina's desk, and the president will decide whether or not to accept it after returning from Europe.

It has been reported that the foreign minister unsuccessfully negotiated with the president a transfer to another ministry, because, in light of his presidential aspirations, he prefers to remain in the country to improve his political position. Once this possibility was rejected, the president could offer Paz Aguilar the post of Honduran representative to the UN Security Council. [sentence as published]

The last official act in which the foreign minister might take part could be the visit UN Secretary General Butrus Butrus-Ghali will make to Honduras on 31 March. So far, no one has been chosen to replace Paz Aguilar, who will return to Honduras together with the president on 23 March.

Nicaragua

Daniel Ortega Issues Warning to Executive, Legislature

PA1603141995 Managua EL NUEVO DIARIO in Spanish 15 Mar 95 pp 1, 8

[FBIS Translated Text] Deputy Daniel Ortega yesterday said that if the Executive and Legislative Branches fail to reach an agreement on the constitutional reforms, "they should go to hell," hinting that he could be the "savior" of the crisis triggered by Violeta Chamorro, who has ignored the constitutional reforms.

Ortega yesterday appeared at the National Assembly and, without sitting down in his seat, took advantage of the fact that correspondents were present to advocate a constituent assembly. At the same time, he said his party favors the reforms, but first there must be talks to reach an agreement.

He Asks That Reforms Be Discussed Again

Despite the fact that he is a deputy, Ortega went to the extreme of arguing that the reforms must be discussed again only because his party disagrees with certain issues "that have antidemocratic overtones, such as the case of the mayors and the two-round elections, issues that were arbitrarily imposed," he stated.

He claimed that people are ignoring the content of the reforms. However, when he was questioned on the true policy of the FSLN [Sandinist National Liberation Front], which claims that it supports the reforms while proposing a constituent assembly, he answered that there is no confusion whatsoever, again insisting that talks must be held to, in his opinion, consider all the variables, such as discussing the reforms once again.

He asked that the reforms be negotiated, but in case a solution to the package of reforms is impossible, "then we must resort to a constituent assembly," he demanded.

The Ortega Alternative

Daniel Ortega was clear as he pointed out that there is another alternative for him: "The Executive and Legislative Branches should go to hell, and new elections must be held to elect a new National Assembly and a new head of the Executive Branch."

When the correspondents asked him if he was willing to head the movement that would make the government branches go to hell, he replied that "the people make that decision," because if these branches fail to reach an agreement, the people would have to find an answer within the legal framework.

He Repeats Speech by Lacayo and Pereira

Ortega concurred with Antonio Lacayo and Emilio Pereira as he repeated that the amended Constitution is not valid, because, in his opinion, the Judicial Branch does not recognize it, adding that those who approved the reforms do not represent the people.

Questioned on whom he represents at the Assembly, the former president said the following: "The FSLN elected 39 deputies; right now, the FSLN has 10 deputies and the other 29 decided to form another party that does not exist yet. Then, whom do these 29 deputies represent?"

Will There Be Nicaraguans Who Will Again Be Involved?

Another correspondent insisted that if the Executive and Legislative Branches "go to hell," who would make the decision to call the elections? Ortega's reply was almost the same:

"That is a decision the people must make. Situations of this sort have taken place in other parts of the world when two government branches are in a crisis." He cited Italy, where a parliamentarian political system is in effect, as an example.

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Although he explained he was not obsessed with the Constitution he signed in 1987 when he was president of Nicaragua, Ortega underscored that he obeys only that basic law and even claimed—repeating the messages the government is sending—that the reforms favor the privatization of education and health services and oppose the direct election of mayors in the country's 143 municipalities.

Panama

Commentator Questions U.S. Charge's Departure

PA1603130895 Panama City Radio KW Continente in Spanish 1300 GMT 13 Mar 95

[Commentary by program host Ramon Jimenez Velez; from "The Word on Continente" program]

[FBIS Translated Text] U.S. Charge d'Affaires Oliver Garza is leaving. This is not news. But why is he leaving, and why is he leaving ahead of schedule? Why is it that the omnipresent and powerful Oliver Garza no longer visits the presidential palace that bears his name [Palace of the Herons—a play on Garza's name, which in Spanish means heron].

The word is that he attempted to exert pressure on the government and justice minister, that a dilemma arose between them, and, of course, Garza lost. It also has been said that a special commission was formed and chaired by none other than Oliver Garza. This commission was to summon the government and justice minister, attorney general, PTJ [Judicial Technical Police] director, National Police director, and, in short, all Panamanian authorities involved in drug and money laundering investigations.

Mr. Garza, in his omnipotency, would sit at the head of the table and question ranking Panamanian officials—officials such as the government minister and the attorney general—asking them: What did you do? What have you done? What investigations are you currently working on?

In other words, he would be checking their homework.

Apparently, when the current government and justice minister became aware of this situation, he said it was truly detrimental to the country's dignity, adding that Panamanian officials could in no way whatsoever sit down before the charge d'affaires of a foreign embassy, or even before an ambassador, to render reports on their work. This definitely would not be very dignified. In turn, the government minister said: No, this cannot be. Based on our numerous treaties with the United States, we are using all required resources, contacts, connections, and channels to provide the United States with information it may need on drugs and money laundering.

Nevertheless, the State Department and the Department of Defense are engaged in a struggle, at least in Panama. It is a struggle that has not been publicized or made known to the general public. This struggle started when MAN [Manuel Antonio Noriega] was in power, because within the U.S. Government there was a faction that supported MAN and another that did not. This struggle continues. It is a struggle between special interests which, for example, includes the CIA, part of the State Department, and the Armed Forces or Department of Defense intelligence services. It also pits the DEA, which is part of the U.S. Justice Department, against other military sectors.

Because the United States has already declared Panama a military zone instead of a civilian zone, this means that things in Panama will be administered by the Department of Defense and not the State Department. [Words indistinct] the government and justice minister, because the Department of Defense or, in other words, the military, is not malevolent.

Nevertheless, Mr. Clinton made a decision and said: Mr. Garza, you must leave because you are causing problems.

As I told you, there was a minor problem with Sandra Gibson, and Mr. Garza took it all the way to Jesse Helms. The foreign minister can give you more details on this. I am aware of certain details, but he can expound on them.

[Words indistinct] simple fact is that Garza was forced to step down.

Draft ARI Plan Said To Exclude Various U.S. Installations

PA1603185295 Panama City EL PANAMA AMERICA in Spanish 15 Mar 95 p E-16

[Report by Juan Pritsiolas]

[FBIS Translated Text] Government sources have warned that the General Plan for the Use of Lands being drafted by the Interoceanic Region Authority (ARI) does not include Howard Air Force Base, Rodman Naval Base, or Galeta Island, installations U.S. agencies are interested in maintaining beyond the year 2000.

Legislative Assembly minutes on the debates over ARI Law reforms include statements by Abel Rodriguez, president of the Canal Affairs Commission, in which he warns about this exclusion. Rodriguez, a member of the ruling Democratic Revolutionary Party (PRD), asked whether this omission is designed to "leave the door (open) for these military bases to remain in Panama."

The plan is being prepared by Nathan Associates in conjunction with the Panamanian consortium Inter-Caribe, in which former Canal Administrator Fernando Manfredo is an adviser. This study is costing $4.6 million and has to be submitted for the Legislative Assembly's approval.

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Despite different versions about the exclusion of the aforementioned facilities from ARI's draft plan, one ARI source explained that the plan is generic in nature and covers all of the areas that have already reverted, as well as those that will revert in the future, and, in turn, it does not exclude Rodman, Howard, or Galeta.

Southern Command reports show that the Rodman Naval Station covers a 600-acre area and Howard 5,282 acres. No information was released on Galeta—an electronic monitoring complex installed off the Atlantic coast.

Southern Command documents show that Rodman and Howard are two of the three bases where U.S. troops will be concentrated while other installations revert to Panama.

Aside from Rodman, Howard, and Galeta, various U.S. agencies also have an expressed interest in maintaining control of Ft. Sherman—a jungle survival training complex for soldiers.

Article Opposes Presence of U.S. Bases After 2000

PA1603201995 Panama City LA PRENSA in Spanish 15 Mar 95 p 37A

[Article by LA PRENSA founder I. Roberto Eisenmann, Jr.: "Bases?... Again!? For the Love of the Fatherland... No!"]

[FBIS Translated Text] The 12 March issue of LA PRENSA brought us the unfortunate news that the U.S. charge d'affaires "affirmed that his government is discussing the possibility of negotiating the presence of U.S. military bases in Panamanian territory after the year 2000 as a strategic necessity."

I feel like they begged, implored, and again begged... perhaps not by words... but by gestures... until they finally were able to make the U.S. Government show interest... and the requested interest will soon become an imposition... and we will begin from scratch... again! How awful! What a lack of vision! What a lack of historical sense!

I must stress that I agree with the old adage that says man is the only animal that makes the same mistakes over and over again!

My position is and will always be as follows: "Bases, no!" Why do I take this minority and apparently radical position? Is it because I am antigringo? Of course not! I cannot be antigringo if my dear mother is gringa, if I studied in the United States, if when the thugs beat me, the United States welcomed me and allowed me to live and earn my livelihood in its land. No, my position has nothing to do with antigringo feelings, which are the favorite pastime of petty jingoistic people.

This is my position, because I am a citizen and want to be a citizen of the continent's second demilitarized country. I thought I was! Thanks to a constitutional reform approved by the two assemblies—namely, the one in the Endara government era and the one in the Perez Balladares government era—the Army was abolished, and all political parties claimed we are a demilitarized country. Could we be a demilitarized country if we have military bases in our territory? Of course not! Our Constitution would then be one big lie.

This is my position because I am a civilized man, which is the same as being antithug.

If the military bases remain here, partially or totally, the military gringos will again militarize our Civilian Police until making it, again, a mafia of thugs, which would yield another Noriega who would imbue himself in crazy nationalism, triggering another invasion, and, bingo, we are making the same mistake again and again! Is it that we already forgot what happened barely yesterday?

My position is based on the fact that I know, because I have studied the issue, that the only real defense of our Panama Canal is being neutral, and this neutrality is impossible if we have military bases in our territory.

My position is based on the fact that I know, if we continue to worry about the money we will lose if the bases leave, instead of taking control of our development with a confident vision by using the reverted bases, we are doomed! The child who, as an adult, wants to continue to be a mama's boy is condemning himself to a parasitic, sedentary, and useless life. We are 91 years old! When are we going to be responsible citizens in charge of our own fate? How is it possible that after more than 90 years of generational struggles, we are begging, now that we achieved the goal, to be asked to renounce it for a few pennies? What the military bases generate represents only one-third of what an entire industry (tourism) generates in the small neighboring country of Costa Rica.

The worst part is that the gringos actually do not need and do not want to stay here. They are closing down military bases right and left. Just a few days ago THE NEW YORK TIMES ran an editorial entitled "Close More Bases Now." The idea that the bases are needed in the fight against drugs is only a tall-tale that sounds good.

With the disappearance of the Cold War, the U.S. military was left without an enemy and desperately clung to the idea of preserving its budget, of waging a new war... one against drugs. Because of this "war," we must always be 100 percent prepared in the Darien, the coasts, and the borders... with "ready access" [preceding two words published in English] (contingency access) to a landing strip and a port. However, to achieve this goal, we do not need military bases or the presence of one single U.S. soldier in our territory. A gringo general who was commander in Panama explained this position to me.

In addition, I also recommend reading a judicious article Juan David Morgan published in the 1 March issue of

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LA PRENSA. Morgan, a prominent member of the Solidarity Party (a government ally)—the same party to which the foreign minister belong—vehemently complains about the same issue:

As a citizen, I ask our leader to end altogether this calamitous trend right now, stating that Panama will demand a strict compliance with the treaties and the departure of the last U.S. soldier on 31 December 1999. The country deserves a clear position on the issue by its leader before it is too late, and before the idea becomes an imposition that condemns future generations of Panamanians. Moreover, the international community must rest assured that its solidarity with us during the treaty negotiations was not in vain and that Panama will maintain, and will make others maintain, the historical schedule in the year 2000.

Let us recall that we are living in a new world in which citizens have stopped simply being "the ruler's choir" to become actors in and protagonists of our own destiny. Let us free ourselves from the old tradition of expecting everything from a powerful entity we consider superior, abdicating our civic responsibility. Let us leave our fear of freedom behind. Let us be citizens of a dignified nation! Let us demand our government represent us faithfully and with a sense of history.

Commission Agrees To Summon DEA Representatives

PA1703032295 Panama City Circuito RPC Television in Spanish 2300 GMT 16 Mar 95

[Report by Luis Alberto Jimenez from the "RPC Television News" newscast]

[FBIS Translated Text] The Drug Commission has agreed to summon the DEA representatives and the director of the Port Authority. The summons will be served in a few days. Members of the Legislative Assembly Drug Commission are studying the questionnaire, which centers on the DEA's role in Panama and the recent explosion at the Cristobal Port:

[Begin Victor Mendez Fabrega, Drug Commission president, recording] It has been approved to summon the DEA representatives. We have a number of accusations that the DEA is not complying with the Panamanian legal procedures. It does not work through the Attorney General's Office or Panamanian lawyers but intervenes directly on its own. That is a violation of our sovereignty. We want to summon the DEA representatives to speak with them regarding that issue.

We are also going to summon the Port Authority representatives regarding the steamroller case. We have allegations there might be internal drug problems. [end recording]

During the Drug Commission meeting, three agreements with Central America and Colombia to fight drug trafficking were also studied for approval.

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Argentina

Defense Minister, U.S. Defense Secretary Meetings Analyzed

PY1603123195 Buenos Aires LA NACION in Spanish 8 Mar 95 p 4

[Article by Eduardo Barcelona]

[FBIS Translated Text] Argentine Defense Minister Oscar Camilion told his U.S. counterpart William Perry: "If we spend $50 million on peacekeeping missions all over the world while Chile spends the same on arms," the regional power balance will obviously become distorted. He thus politically justified the creation of a permanent working group of Argentine Defense Ministry and U.S. Department of Defense officials, and requested assistance to re-equip the Argentine Armed Forces.

Camilion reported on his meetings with Perry upon his return from Washington. Given the results achieved, he said the meetings were "good, so as not to appear overconfident." Camilion and Perry met for a total of 14 hours on seven occasions during just one week. U.S. military officers noticed a political gesture of the U.S. Secretary of Defense toward the high-ranking Argentine official, and treated their Argentine counterparts in a similar fashion.

Camilion said: "Interrelationship is the key word in this new Argentine-U.S. association because it implies assembling teams and creating doctrine."

What do the North Americans value most about Argentines? "Their participation in the Gulf War coalition and in subsequent UN peacekeeping missions."

These military missions require materiel and communications equipment, etc. Camilion told LA NACION: "Participating in peacekeeping missions means the use of certain recourses which could have been used instead for training, for example."

Camilion also told Perry: "Argentina is suffering from the British embargo because if it uses British-made turbines [as published] for peacekeeping missions it will be unable to replace them later." The Navy wants the United States to supply the equipment that Britain refuses to supply. This is the new approach of the Argentine Defense Ministry: Its officials believe there is no point in crying over the British embargo any more.

Argentina and the United States agreed to establish a working group which will study all points arising from the alignment.

The under secretaries of the two countries will meet in April. The defense ministers of all the Americas will meet in Williamsburg in July, where Argentina will play a key regional role.

The next meeting of the Argentine Defense Minister and the U.S. Secretary of Defense will be in April 1996 in Buenos Aires.

The Argentine Army wants 57 M-113 A2 personnel carriers, and to repair about 100 older M-113's. The Army also asked for English-language teaching equipment, and helicopter simulators. Among its other requests are eight Cobra helicopters and Stinger missiles.

The Navy wants a landing ship. It received one high-priced offer, but wants better payment terms.

The Navy also asked for six Lockheed P-3 planes—because Chile got eight for free—coastal patrol vessels, and engines for various planes especially for the Electras and the Sea King helicopters.

Requests by the Air Force were more modest because it is anxiously awaiting the arrival of the A4M Skyhawks. It did request, however, assistance for upgrading and standardizing its Hercules C-130's, and helicopter spares.

The first signs of U.S. reaction to these requests should be forthcoming in the next few months. At that time we will see if our close relationship with the United States has served any purpose.

Di Tella Explains Economic Situation in Europe

PY1603224695 Buenos Aires LA NACION in Spanish 16 Mar 95 p 12

[Report by Graciela Iglesias]

[FBIS Translated Text] London—Foreign Minister Guido Di Tella has met with his German counterpart Klaus Kinkel. He asked Germany to continue supporting Argentina's position in international financial organizations.

The meeting took place in Bonn, during a quick visit scheduled at the last minute with the approval of the Economy Ministry.

Di Tella then traveled to Paris, where he received the news of the death of the president's son, and decided to return to Argentina.

"I came to brief German officials on the various aspects of the new economic measures, and to thank them for their support in various international forums, especially the World Bank, the IMF, and even the IDB [Inter-American Development Bank]," Di Tella told LA NACION over the telephone.

Di Tella talked with Kinkel about the market rally in the past few days, mentioning the favorable commentaries made by some European newspapers on the Argentine Government's efforts.

Di Tella said: "I not only came to thank them, but also to ask them for more cooperation so that disbursements can be made as soon as possible. When you have

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important allies, like Germany, you must do your best to treat them well, particularly when they have shown their support."

The minister also talked about the sale of Argentine weapons to Venezuela that ended in Ecuador.

"We do not believe that the Venezuelan or Argentine Governments are responsible, or had any intention of getting involved in that deal. It was the consequence of illegal operations involving various agents. The agent most probably responsible is the company that transported the weapons. Venezuelan authorities have evidence that false documents were used in the entire process. The inquiry currently being carried out by the Defense Ministry will clarify everything."

Chamber of Deputies Approves VAT Increase

PY1603191395 Buenos Aires NOTICIAS ARGENTINAS in Spanish 1048 GMT 16 Mar 95

[FBIS Translated Excerpt] Buenos Aires, 16 Mar (NA)—In the Chamber of Deputies, the government has won approval for an increase of the tax on personal assets and an increase from 18 to 21 percent of the value-added tax (VAT) that will be in force until April 1996.

The funds from the readjustment of the VAT will be administered by the Treasury and will be used to maintain the fiscal balance "and to strengthen public credit."

After a discussion last evening that lasted for several hours, and in which the opposition demand a special majority (50 percent plus one) to approve the passage of the bill, the PJ [Justicialist Party] obtained 133 affirmative votes despite the nays of the UCR [Radical Civic Union] and the withdrawal of the deputies of the Frepaso [Front for a Country in Solidarity], which includes the socialists, the followers of [Justicialist Senator Jose Octavio] Bordon, and the Grand Front.

In order to overcome the opposition of the deputies from the interior, because the increase in the VAT will not come within the sphere of coparticipation, an article was included in the bill that calls for a nonreimbursable contribution by the nation amounting to 1.2 billion pesos to help with the financing of "the reform of the provincial states and provincial banks."

Oscar Lamberto, the deputy who sponsored the bill, stated that this special contribution will come from the international loans that are currently being negotiated by the Economy Ministry.

In view of the opposition of the Radicals, who threatened to withdraw but who finally remained in their seats, Jorge Matzkin, head of the PJ bloc, said that "the opposition has found a good excuse for not voting funds for the pensioners."

Ultimately, the vote count was as follows: 133 affirmative votes, 44 nays, and five abstentions. This was loudly celebrated by the government congressmen, who applauded for several minutes. [passage omitted]

The 3 percent increase in the VAT has been included in the proposal to increase the Tax on Personal Assets, which has had its ceiling expanded in order to include people who have assets valued at more than $100,000.

This increase has been set at 0.5 percent, and it includes personal assets within and outside the country. It is estimated that some 700 million pesos will be obtained through the increase, and the funds will be funneled directly into the social security system.

The disapproving voices came from the Radicals through Jose Dumon, Mario Negri, and Eduardo Santin, but the UCeDe [Democratic Centrist Union], which generally allies itself with the PJ, also expressed its disapproval through Jose maria Ibarbia.

The Frepaso, through Graciela Fernandez Meijide and Rafael Flores, voiced its severe criticism, which also included the economy minister, although they expressed their satisfaction withh regard to the "elimination" of the "super article" that, in their opinion, delegated congressional powers to the Executive Branch.

Government Measures To Reestablish Confidence Viewed

PY1603100195 Buenos Aires LA NACION in Spanish 12 Mar 95 p 8

[Editorial: "The Bases of Trustworthiness"]

[FBIS Translated Text] In view of the broad consensus that the financial crisis unleashed in the country nearly three months ago is indeed a crisis of confidence, the Menem administration is at present seeking to buttress what is seemingly the most weakened pillars on which the Argentine Government's credibility is founded.

First, the government is making every endeavor to balance the budget to ensure there will be no inflationary financing of spending or default on payment commitments—especially those taken through the issuance of government securities—or, least desirable of all, a sort of nationalization of citizens' financial assets.

Second, the government will try to ensure the soundness of the banking system to reverse the run on banks, amounting to some 4 billion pesos since the onset of the crisis. To that effect, a sort of private deposit guarantee has been established with resources banking establishments may obtain without resorting to fiscal funds or the Central Bank's quasi-fiscal contributions.

The quest for a balance in public accounts involves—besides the curbs in spending and the broadening of the tax base announced last week—a number of projects to increase tax revenues, the announcement of which is still pending, which range from a possible increase in the VAT [value-added tax] and in fuel taxes to an increase in social security contributions, thus putting tax rebates

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implemented last year into reverse. In fact, the belated idea of extending the reduction in employers' contributions to retail businesses and services has been postponed indefinitely, and this is not only on account of the provinces' failure to abide by the Fiscal Pact.

With regard to expenditures, it is expected that the Social Security Solidarity Law—enacted at long last—will define the costs of the system by making it predictable and easy to budget. Cutbacks in the export promotion system have even been considered. What clearly remains to be done is a thorough overhaul of the public administration so as to render it more rational, economical, and efficient. Nevertheless, this can neither become part of an emergency proposal nor be accomplished at once. It is, however, the only thing that can guarantee orderly spending and long-term stability in fiscal accounts beyond the difficulties that may spring from the business cycle, such as the ones we are facing at present.

In order to boost confidence in the financial system, the government is fostering the establishment of a $5 billion trust fund funded by the IMF and foreign commercial banks to confront possible runs on banks. It is thought that the mere existence of this trust fund would lead investors to keep their deposits in the country and to repatriate the capital they have taken out of the country over the last three months. This would in turn considerably improve the overall liquidity position of the economy with all its consequential effects.

The economy minister's announcements before Congress elicited an immediate favorable response not only in domestic markets, but also in transactions of Argentine securities on the New York Stock Exchange. Granted, fickle indicators like stock exchange quotations cannot guarantee that the favorable climate will last, but there are indications that lead one to expect a steady recovery of confidence in the country.

Among them, let us mention the priority the government has given to the fiscal balance over other objectives, even over some that are as politically important as maintaining a low inflation rate, reducing unemployment, avoiding a recession, increasing exports, reducing the trade deficit without closing the economy, or defraying certain expenditures that are normal during an election campaign. Minister Cavallo is quite right in his contention that in order to reestablish confidence, the state must strictly honor its commitments, and that only an appropriate solvency can guarantee that it will do so.

Another indication is the response of business circles in giving their whole-hearted support for the announced measures, which is most encouraging, despite the fact that the centerpiece of the said measures is an increase in the tax burden, which will undoubtedly constrain, in the immediate term, their companies' expansion capacity. The private sector has also given top priority to the fiscal balance.

By implementing this little emergency plan, the economic leadership is betting that the strengthening of the Treasury—and of the Treasury alone—will be enough to allow the state to fulfill its obligations without having to resort to monetary maneuvers that could lead to inflation. It is also betting that, in an atmosphere of trust, deposits will return to the banks, growing liquidity will push interest rates down to their proper level, and the rate of economic growth will be restored.

There may be a price to pay for accomplishing all this. Until all the parts of the scheme come together, the higher tax burden may awaken recessive tendencies, bring about price increases, restrict consumption, delay investments, reduce the competitiveness of Argentine products, fuel unemployment, and stunt the growth of exports. The administration is betting that these negative consequences will be quickly offset by the returning tide of funds, which will, to a large extent, restore the previous status quo.

The hopefully slight negative effects of the emergency plan will be the result of using the domestic savings it will generate to finance unproductive spending instead of productive investments. Therefore, the emergency measures must necessarily be short-lived. As soon as results are obtained and the flow of funds to the financial system is reestablished, an overall, in-depth reform program must be implemented because there certainly is still much irrational and unnecessary public spending.

Minister Cavallo promised in Congress that the administration will fulfill its obligations. This does not mean just honring the public debt and the contracts in force. It also means maintaining the convertibility of the peso, which is the basis of the monetary stability that we have enjoyed for nearly four years. Continuing monetary stability, however, can be possible only if there is coherent fiscal behavior.

Bolivia

U.S. General's Remarks on Antidrug Fight Well Received

PY1603180495 La Paz HOY in Spanish 18 Feb 95 p 3

[FBIS Translated Text] Opposition congressmen have described recent remarks by General Barry McCaffrey as optimistic and as a call to U.S. officials to change their plans in the antidrug fight. McCaffrey said consumers are the main drug-trafficking problem.

Bolivian congressmen believe this change in the U.S. way of thinking, which until recently has focused in warning the producing countries, could mean relations between Bolivia and the United States will improve.

Deputies Carlos Borth of the MIR [Movement of the Revolutionary Left], and Eduardo Paz of Condepa [Conscience of the Fatherland] agreed that the U.S. general's remarks can be very significant in the future of the antidrug fight.

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Sergio Medinacelli, president of the Chamber of Deputies Commission for Drug Prevention and Antidrug Fight, has warned of a radical change in the Bolivian policy to promote interdiction in the antidrug fight and the eradication of coca crops. McCaffrey said all the time there is demand for drugs in his country there will be supply, which implies that the antiproduction campaign is not the most important.

Deputy Borth said the Southern Cone commander's remarks must be a reflection of a reality that is probably being experienced in the "huge country in the north."

He said: "In spite of the great efforts, large investments, and huge amounts of resources that are used in the antidrug fight, by administration after administration, for year after year, the truth is that the U.S. market is increasing every day."

Within that context, he said: "We are encouraged by those remarks and hope they are at least a semi-official point of view that will help future reconsiderations of the antidrug fight in our country."

He added: "The theory that responsibility falls upon producing countries—Bolivia, Peru, and Colombia—has been exaggerated when the center for demand and the trafficking of drugs worth millions of dollars is in the United States."

That idea, he said, "may help improve conditions and relations in the treatment of the antidrug fight in the United States and over the entire planet."

Medinacelli said those remarks represent a warning bell for the U.S. officials who invest large amounts of money in their policy of eradicating coca crops.

He said the United States has interdiction plans, but the current situation shows the need for shared responsibility projects where production and consumption will be jointly fought.

No noted, however, that there is a government threat to increase interdiction, which would contradict the idea that the main drug-trafficking problem lies with consumers.

Sanchez de Lozada Back From Denmark, Views Economic Summit

PY1603162695 La Paz Radio Cadena Nacional Network in Spanish 1100 GMT 15 Mar 95

[FBIS Translated Text] The rich countries have ignored the demands of the Third World for facing together the international problem of poverty. This impression was confirmed by President Gonzalo Sanchez de Lozada upon his return from the summit for social development, which had the purpose of taking action to eradicate poverty but ended only with the issuing of a document of good intentions.

Faced with the limited sensitivity of the industrialized world, the underdeveloped countries were hardly able to apply the brakes to prevent the reduction of international aid from accelerating. President Sanchez de Lozada said that although the aid will be relatively maintained, it will become more difficult to obtain new credits. Therefore, the countries of the Third World are obliged to create new mechanisms for internal growth.

[Begin Sanchez recording] I believe the most important effort was to try to slow the trend to stop foreign aid. We know that many countries are cutting their budgets. We are trying to prevent this from affecting Bolivia. I believe the summit served, more than anyuthing else [words indistinct] There are one billion poor people who don't have enough to eat. But this is not the only problem of the underdeveloped countries. There are other problems, such as the environment, diseases, conflicts, and social disintegration. I hope the summit's message will slow this dangerous process. The presence of so many presidents and world leaders at the summit was very important. [end recording]

The summit for social development only suggested that 0.7 percent of the gross domestic product of the industrialized countries be appropriated to fight poverty in the world. This was only a position, and not a commitment, however.

Brazil

Signing of Sivam Contract 'Temporarily Postponed'

PY1603164195 Sao Paulo GAZETA MERCANTIL in Portuguese 15 Mar 95 p 5

[Article by Cesar Felicio]

[FBIS Translated Text] Presidential spokesman Ambassador Sergio Amaral said on 14 March that the government has temporarily postponed signing of a contract for installation of the Amazon Region Surveillance System (Sivam). This contract should have been signed by the U.S. consortium Raytheon on 15 March.

According to Amaral, "it would have been discourteous toward Congress to sign the contract the day before two ministers—Minister Gandra (Aeronautics) and Minister Sardenberg (Strategic Affairs Secretariat) [SAE]—were scheduled to explain to Congress details of the contracts." The two ministers have been summoned to testify about charges published abroad on the alleged bribing of Brazilian officials in order to ensure Raytheon's victory in the bidding.

On 14 March, President Fernando Henrique Cardoso took the trouble of denying, in an official note, the participation of any senator in the Sivam bidding process. The note states:

"After having talked (on 14 March) to the government leader in the Senate about an article published in the latest issue of the magazine VEJA, Senator Elcio Alvares

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clarified that within the government there is no information discrediting any senator for participating in the negotiations regarding the Sivam project. Senator Alves also reiterated President Fernando Henrique Cardoso's determination to render the national Congress the service of having these details clarified by the aeronautics minister and the head of the SAE. The two will clearly explain to Congress the government's position with regard to this issue."

VEJA Examines Sivam Project, Bribery Charges

PY1703005095 Sao Paulo VEJA in Portuguese 15 Mar 95 pp 44-45

[Article by Eliana Simonetti: "On Automatic Pilot"]

[FBIS Translated Text] The signing of a large contract that will cause the Brazilian Government to contract a debt of $1.7 billion is scheduled for this week. It is the Sivam [Amazon Region Surveillance System] commercial contract, a system of radars and sensors designed to keep the Amazon region under surveillance, that is to be set up by a consortium headed by the U.S. company Raytheon. So much money and so many interests are at stake in the deal that it has mobilized multinational companies, diplomats, and ministers during the past five years. The Senate approved the financing for the project, in a lightning session, at a time when everyone was leaving Brasilia during the Christmas holidays in 1994. Later, a little over two months ago, charges of irregularities in the process for selecting the winning company were raised, as well as questions concerning the technical quality of the equipment to be supplied.

According to a minister close to President Fernando Henrique Cardoso, the government has received an unconfirmed report of at least one case of corruption. A senator reportedly received $7 million to expedite congressional approval for the government to contract a $1.7 billion debt, which was necessary for the Sivam project to be implemented. In Paris, diplomats told VEJA correspondent William Waack that senior executives of the losing bidder for the contract, the French consortium Thomson-Alcatel, made it known to those who wanted to listen that "the Americans paid $30 million to obtain the contract." The deal acquired such a bad reputation that even the winning bidder, the party most interested in keeping silent to avoid backlashes, also decided to raise charges. In February, the newspaper THE NEW YORK TIMES reported that CIA—U.S. Central Intelligence Agency—spies had allegedly discovered that Thomson-Alcatel paid bribes to Brazilian officials.

Without a Course

Raytheon Vice President Jim Carter said: "We have not offered bribes or advantages to anyone in order to influence any decision." Thomson President Daniel Henner said: "Those charges are baseless." Two Senate committees have decided to ask for explanations from the ministers responsible for the project. Aeronautics Minister Mauro Gandra and Strategic Affairs Secretary Ronaldo Sardenberg are scheduled to testify next Tuesday. Yet one of them has already noted that the corruption charges do not warrant a full investigation. Sardenberg said: "The charges are all but substantive. We will sign the contract as soon as we can."

There may be nothing substantive in the charges, but there are details and coincidences in the Sivam project that are food for thought. The contract establishes an exclusive share for construction companies from the Amazon region, which are linked to friends of Senator Gilberto Miranda; for the Esca computer company, which is virtually a subsidiary of the Aeronautics Ministry; and for the Raytheon company. No one is questioning the need for setting up the flight control equipment in the Amazon forest. The situation there is so dramatic that in 1989 a Varig jetliner that was flying to Belem lost its course and ended up making an emergency landing in the jungle. On two occasions Army Minister Zenildo Lucena had similar experiences. Once, in the Upper Amazonas region, his plane stood for an hour humming over the clouds until a colonel who was used to flying blind managed to put them back on course. Last Friday, a government plane with license no. HS 2128 lost its course on a flight from Corumba to Ponta Pora, Mato Grosso do Sul. It ultimately landed in Mariscal Estigarribia, Paraguay, 100 km from its original destination.

Sivam is designed to play the role of a flight controller, but it is much more than that. The project envisages environmental control, supervision of the border, and the supplying of meteorological information (see map). Because it has become too ambitious, the cost of the project has tripled. From July to December 1994 former Aeronautics Minister Lelio Lobo and former SAE Secretary Mario Cesar Flores made a few appearances at the Senate to explain the project. Reading the minutes of their testimony, one realizes that the senators did not have the slightest idea what the purpose of the radars was. Furthermore, the ministers themselves admitted that they could not estimate how much it would cost to keep the system functioning after it was put in place. At that time, the cost of equipment and installation stood at $1.4 billion. The Senate approved an additional $300 million to cover interest and amortization expenses.

Choices

On the night of 21 December, when the issue was voted on in Congress, three of the leading Senate foxes—Vice President Marco Maciel, former President Jose Sarney, and then government leader Pedro Simon—gave a free hand to Senator Gilberto Miranda, the rapporteur of the project, to take the necessary action to keep the deal alive. It was Miranda who added a strange article providing that the loan could be disbursed only to the "consortium led by Raytheon." This means that if the U.S. company was excluded, the loan would automatically be canceled.

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Created under the Sarney administration, Sivam was set in motion in 1993. Since then it has become noticeable that many figures in the French and U.S. Governments—which are interested in the deal—have visited Brasilia. The outcome, which was favorable to the Raytheon-led consortium, was celebrated in the United States by Commerce Secretary Ron Brown with a dinner at the home of Brazilian Ambassador Tarso Flecha de Lima. Brown said: "I personally contacted several Brazilian leaders, including the president." U.S. Ambassador to Brazil Melvyn Levitsky said: "Every government must help its companies in international trade bidding processes."

Along with Raytheon, other companies had access to the deal without having to go through a bidding effort. Esca was selected to set up the computer system in exchange for at least $200 million, and to maintain it for the rest of Sivam's existence. Strict and specific requirements were contained in the guidelines given by the Sivam committee to the association of informatics companies in order to determine which one should provide the service. The company should be Brazilian, and "has to have developed an operational and functional concept of air traffic control and air defense systems. " Esca is the only company that could meet these requirements. It is a member of DA-CTA [Air Defense and Traffic Control System], the air traffic control system operating in Brazil. Esca Director Antonio de Almeida Filho said: "We have technical capability and long experience in this area." The Sivam project managers also made a point of using Embraer [Brazil Aeronautics Company] planes, and included a provision to the effect that all civil engineering projects—the cost for which is estimated at $200 million—be performed by construction companies from the Amazon region.

Sao Paulo Legislative Assembly Composition Viewed

PY1603190395 Sao Paulo FOLHA DE SAO PAULO in Portuguese 14 Mar 95 "Special Section" p 12

[Article by Carlos Magno de Nardi]

[FBIS Translated Text] In contrast to what happened during the Orestes Quercia and Luiz Antonio Fleury Filho administrations, Governor Mario Covas will have a slight majority at the beginning of the new Sao Paulo Legislative Assembly period.

Officially, the Brazilian Social Democracy Party [PSDB] governor has only 22 votes (the total number of deputies of the coalition—PSDB and Liberal Front Party [PFL]—that elected him).

The PSDB leaders, however, already count on the unofficial support of 50 deputies, who have been won over through Covas' own negotiations and that of Robson Marinho, the state's Civilian Household chief, and of PSDB Deputy Ricardo Tripoli.

In addition to the PSDB and PFL, the governor's base in the Legislative Assembly will be comprised of groups from other parties.

PSDB estimates contemplate support of four Brazilian Democratic Movement Party [PMDB] deputies, nine Progressive Renewal Party [PPR] deputies, five Brazilian Labor Party [PTB] deputies, five Liberal Party [PL] deputies, two Progressive Republic Party [PRP] deputies, and one Green Party [PV] deputy.

At the end of his term in office, Fleury had the support of 54 deputies. This number was enough to approve any of his bills.

Deputy Tripoli, who is a candidate for the Legislative Assembly's presidency, as well as Robson Marinho, say that Covas will not have stable support. Marinho added: "Covas has never acted on a static base."

Both confirm that debates with the deputies about bills proposed by Covas will be conducted "promptly," i.e., that there will be negotiations for each proposal [as published].

The PSDB members plan to attract Workers Party [PT] votes also, although the PT has officially decided to act as opposition during debates on all social area projects.

Deputy Rui Falcao, who becomes leader of the PT bloc in the Legislative Assembly on 15 March, prefers to wait for the beginning of the Assembly's work to comment on support for Covas. "We are the opposition, but we do not discard the possibility of holding dialogues," he said.

Falcao, however, already has much to criticize concerning the Covas administration. One criticism deals with the PSDB administration's decision to restrict the role of the state government under the excuse of reorganizing the administrative machinery. Another criticism is related to the "maximization" of the Sao Paulo financial crisis.

"Covas spent the two first months denouncing the financial crisis created by his predecessors," the PT deputy said.

Bloc leaders and legislative advisers consulted by FOLHA DE SAO PAULO say that the deputies who will be installed on 15 March are less "fisiologicos" [seek less personal gain]" and have more links to the social movements.

Deputies Elected In 1994

Twenty-three belong to the PMDB, 17 to the PSDB, 16 to the PT, nine to the PPR, seven to the PTB, five to the PFL, five to the PL, three to the PDT [Democratic Labor Party], two to the PC do B [Communist Party of Brazil], two to the PRP, two to the PSD [Democratic Social Party], one to the PSB [Brazilian Social Party], one to the PV, and one to the Prona [Party for the Redefinition of the National Order].

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Twenty-two of the current 94 deputies support Covas.

Sao Paulo Government Begins Privatization Process

PY1703031995 Sao Paulo AGENCIA ESTADO in Portuguese 1929 GMT 16 Mar 95

[Report by Ana Cristina Rosa]

[FBIS Translated Text] Sao Paulo, 16 Mar (AE)—Sao Paulo Governor Mario Covas (PSDB) [Brazilian Social Democracy Party] today set in motion a privatization process in the state. Through a decree, Covas instituted the State Program for the Participation of the Private Sector [Programa Estadual de Participacao da Iniciativa Privada] in providing public services and in implementing infrastructural projects. Through this program Covas hopes to provide capital for the state treasury, as this will be instrumental in saving resources and in enabling the state to implement projects that it cannot afford to finance.

Participation by the private sector in public administration is one of the main topics in Covas' government program. It is estimated that between $1.5 billion and $2 billion will be saved through these partnerships over the next three years. It is expected that these funds will be basically raised by issuing permits to private companies to perform certain public services. Sao Paulo Lieutenant Governor Geraldo Alckmin said: "Nothing would prevent the state government from getting rid of one or the other asset that it may find unnecessary." Alckmin said that partnerships with private companies are primarily designed to finish infrastructure projects that have become paralyzed due to a lack of funds.

The rules that will govern participation by private companies in performing public services will be laid down by the Managing Council [Conselho Director], presided over by Alckmin, and consisting of four secretaries of state government. Each secretariat will submit proposals for capital participation in their respective areas. At the moment the transportation sector has the most advanced studies, and it is estimated that a preliminary notice for a partnership in this sector will be published this month.

An example mentioned by Alckmin is the Carvalho Pinto highway project. The project for building a second lane and four tunnels on this highway had been suspended due to a lack of funds. The required investment for this project has been estimated at $200 million. Alckmin said: "Through the franchising system, the state can conclude this project and even reduce its cost by shortening the timetable for construction." Another possibility for partnership in transportation is the expansion of the subway lines. The governor said that an international company had already contacted the government to form a partnership for running the subway system. Covas believes it would be possible to entrust the construction of new stations to a private company by allowing it open commercial stores there.

The Managing Council will hold monthly meetings. In addition to Alckmin, the Council will consist of Andre Franco Montoro Filho; secretary for economy and planning; Antonio Angarita, secretary of government and strategic management; Yoshiaki Nakano, finance secretary; and Emerson Kapaz, secretary for science and technology and economic development.

Partnership Projects Under Study

Transport—Construction of additional lanes at the Imigrantes and Raposo Tavares highways, construction of shoulders for the Castelo Branco highway, enlargement in eight segments of the Washington Luiz highway, and enlargement of the Anhanguera- Bandeirantes system. In these cases, the private sector would be reimbursed for their investment by collecting tolls.

Justice—Studies for the construction of semi-open prison facilities.

Sanitation—Construction of stations for water and sewage treatment and the expansion of the sewage system.

Energy—Franchises for the construction of new stations, primarily for natural gas.

Minister Displeased Over Reporting on Reserve Ceiling

PY1703120095 Sao Paulo AGENCIA ESTADO in Portuguese 2302 GMT 16 Mar 95

[Article entitled: "Right from the Source" by Sonia Racy]

[FBIS Translated Text] Finance Minister Pedro Malan did not like the statement by Planning Minister Jose Serra over the $25-billion exchange reserve ceiling, which was conveyed to senators during a briefing on 14 March. He was so displeased that he phoned Serra at home. This can be interpreted from two viewpoints: First, that Serra is on very good terms—if at all—with Malan, but does not want to discuss affairs outside his area of competence; or second, that economic team members, even though they are swimming in dollars—which are kept at the BIS [Bank of International Settlements]—are really concerned about the reserve ceiling and do not want others to know the security limit, a figure that Serra leaked.

Lampreia Condemns Cuba Embargo for Rio Group

PY1603234095 Sao Paulo AGENCIA ESTADO in Portuguese 1856 GMT 16 Mar 95

[Report by Reali Junior]

[FBIS Translated Text] Paris, 16 Mar (AE)—Brazil, like the rest of the member countries of the Rio Group, is against maintaining the U.S. economic embargo against Cuba. Brazilian Foreign Minister Luis Felipe Lampreia could not have been clearer in his answer when he was

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asked in Paris about the position of the Latin American foreign ministers who will meet tomorrow with their European Union colleagues at UNESCO headquarters.

He reasserted the position of the Rio Group ministers, recalling that a recent UN declaration against the embargo was not endorsed by only two countries: the United States and Israel. Lampreia added: "The embargo only penalizes the Cuban people, whom there is no reason to penalize. We are all against maintaining it."

It is daily becoming more difficult for the United States to defend the economic embargo against Cuba. This and human rights in Cuba were the prevailing subjects during the four-day visit of Fidel Castro to France, which concluded today with a visit to Bourgogne. The most diverse of French political factions, including the right, which condemns the Cuban regime and defines Fidel Castro as "the last Latin American dictator," expressed their rejection of the embargo during his first visit to France.

Those same political groups are applauding the decision to send an international delegation to Havana—already approved by Castro—to investigate the number of political prisoners in Cuba. According to Amnesty International, nearly 600 Cuban citizens are in prison on the island for having expressed their opinion. This committee will be headed by the vice president of the "France Libertes" association, presided over by Danielle Mitterrand. As is known, the wife of Francois Mitterrand, who is a friend of Fidel Castro, considers Cuba "the country against whom the greatest injustice is being committed in the world, because of the economic embargo that affects its people."

Also today in Paris, Minister Lampreia confirmed that the Brazilian National Accounting Office (TCU) is investigating administrative documents at embassies in which irregular administrative procedures, like double accounting, could have taken place, in order to adopt appropriate measures. Although Lampreia believes that there have been no bad intentions in the administration of the embassies, he said that recent events demonstrate the need to adapt administrative policies to the law in order to show more administrative transparency. This is a consequence of the inspections carried out by TCU member Carlos Atila at the embassies in Paris and Brussels and at the Brazilian mission to UNESCO, where he verified, among other things, excessive expenses that could have been reduced considerably had there been greater rationale behind services.

Favors World Financial Control Mechanism

PY1703002095 Sao Paulo AGENCIA ESTADO in Portuguese 2110 GMT 16 Mar 95

[Report by Reali Junior]

[FBIS Translated Text] Paris, 15 Mar (AE)—Brazilian Foreign Minister Luis Felipe Lampreia yesterday supported the holding of a broad international debate to create defense mechanisms against strong speculative financial movements that harm emerging economies, as happened in Latin America, and particularly in Argentina and Brazil, after the Mexican crisis. Lampreia said this in Paris, where Rio Group and EU representatives will meet starting 17 March.

According to the Brazilian foreign minister, although several different formulas already exist, the important issue is to establish rules to control speculative financial capital without harming the opening up of economies. He said he considers interesting the proposal made in Copenhagen by French President Francois Mitterrand, in which he suggested charging a fee on short term capital to create a fund to help developing countries.

The meetings, to held tomorrow in Paris at the UNESCO headquarters among EU, Rio Group, and Mercosur [Common Market of the South] foreign ministers, are important because, according to Lampreia, they could become the last stage of negotiations toward reaching an agreement to further extend free trade among these regions. Although a timetable has not been established, Lampreia believes that an agreement between Mercosur and the EU could come into effect in the long term, within a maximum of 10 years' time.

He believes that a lot of progress was attained through the recent GATT negotiations, which benefited Brazil greatly given that the treaties considerably reduced customs tariffs, allowing Brazil to increase its exports by up to 45 percent. "We have already exploited the existing short term possibilities," Lampreia said.

The Mexican crisis, and its consequences for the rest of the Latin American countries, is included on the agenda of the discussions for tomorrow. This will really be a central subject given the new Latin American reality, said Lampreia. From the Brazilian point of view, it is necessary to intensify the integration of Mercosur.

Once this integration process is attained it will be possible to establish closer ties with the member countries of NAFTA. Lampreia believes there is no direct relation between Latin American integration and what happened in Mexico.

The Mexican case, he said, only revealed the danger of depending on foreign capital and of accelerated economic growth (above the country's production capacity) that is in general incompatible with the expansion rate of the country. After a certain level, economic growth can contribute to a return of inflation, something that must be avoided at any cost.

This is why Lampreia says he is convinced that the liberalization process of the Brazilian economy needs a pause, even if the country manages to attain a surplus in its balance of payments. According to him, Brazil has already registered a spectacular economic opening, through which import tariffs were reduced from 50 to 14 percent on average. This pause does not mean that

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import tariffs should be raised, but they must be maintained at the same level. Right now, he said, we are in a stage of adjustment and course correction.

Minister Views 1995 Presidential Calendar

PY1403185095 Rio de Janeiro O GLOBO in Portuguese 11 Mar 95 p 7

[Article by Foreign Minister Luiz Felipe Lampreia]

[FBIS Translated Text] With his recent visit to Uruguay to attend Julio Maria Sanguinetti's installation, and his official visit to Chile—which he considers his "second fatherland"—President Fernando Henrique Cardoso has begun an intense program of diplomatic visits. President Cardoso thus personally participates in the implementation of his administration's foreign policy. Going back to the origins of the sovereign Nation-State concept, we can see that Chief of State Diplomacy has been employed at all great crossroads of history. More recently, it has become normal for the most important issues to be dealt with among states and is now the distinctive stamp of contemporary diplomacy. The implementation of the Common Market of the South [Mercosur] is a good example of how chiefs of state now function as the greatest promoters of diplomatic initiatives and have opened up space and alternatives to be worked upon by their foreign ministers, thus strengthening their role.

In view of its relevance for our development, and because it involves the participation of the president of the Republic, it is important for Brazilian society to learn how this program is defined and what are its diplomatic goals. Concerned with political pragmatism and balance, and aware of President Cardoso's disposition, the ease with which he faces his international agenda and the need to tour the world to promote Brazil and its national interests, Itamaraty and the Presidency of the Republic have combined the four types of international engagements that can involve the chief of state—on one hand—with the profile of an active diplomacy and—on the other hand—with the interest Brazil awakes abroad. The result has been the most intensive program Brazilian diplomacy has ever proposed to a president. The four groups describe this program well.

The first group consists of international multilateral engagements. This year it includes the 50th anniversary of the allied forces victory in the Second World War, which will be held in London. Brazil will attend as the only Latin American country to have fought on European soil. This group also includes the 50th anniversary of the foundation of the UN, which will be held in New York in October. Brazil will participate in view of its specific interest on the United Nations, of which it is a founder member.

The second group includes trips to the regional groups to which Brazil belongs. The program contemplates two meetings with other Mercosur presidents in June and December; the presidential summit of the Group of Rio; the Ibero-American summit; and the Group of 15 meeting. In the first group, as well as in the second, the Brazilian presence responds more to matters of protocol and of dynamics for the functioning of these meetings, in which access to deliberations is conditioned to the participation of countries at the level of their chiefs of state. These meetings have also witnessed the periodic signing of parallel contracts among the presidents, which is marked by the agility that is characteristic of our times.

The third group includes the ceremonies at which the presidents of friendly countries are installed. Although common in Latin America, this practice is relatively new to Brazilian diplomacy and only began when democracy was restored in 1985. It has served to strengthen the continent's democratic identity and has created empathy among the new presidents right from the beginning of their mandates. It functions as a sort of ceremony to welcome the new president into the group of presidents that meet frequently. In addition, these ceremonies are a gesture of great political symbolism in the cadre of diplomatic relations between two countries. Following the Uruguayan installation ceremony, the program includes the inauguration of the Argentine and Peruvian presidents. President Cardoso may attend these two ceremonies, to repay their presidents for attending his inauguration on 1 January.

Finally, the fourth group is that of bilateral visits. As an essential part of the process to intensify relations, or as retribution for similar visits to Brazil, these trips play a catalyzing role in relations between countries. They are carefully prepared so that the chief of state's presence promotes a qualitative improvement in the two countries' relations or establishes a new type of relation between them. Thus, these visits function as levers that push bilateral relations one step higher. They echo in the field of trade and economic exchange, in bilateral cooperation, and in the political coordination that exist between two countries. Beside Chile, which has just been visited, several other visits are scheduled. They are based on a criterion that combines regional balance, intensity of relations, and the need to give a special push to relations through the involvement of the highest-ranking officials of the two countries' administrations. This is typical of the meetings at the presidential level. As the president has defined, a harmonious exploitation of the areas that represent foreign policy priorities are added to this criterion, which also includes special care to maintain equilibrium between developed and developing countries, so as to faithfully reflect the universalist and nonexcluding characteristics of our diplomacy. The president also plans to give these trips an entrepreneurial component in order to strengthen ties among the Brazilian economic agents and the agents of the country being visited, thus increasing the volume of bilateral business.

Simple enumeration of the visits scheduled for the next 12 months—some of which are still under diplomatic negotiation—shows the broad, balanced, intensity of this

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agenda: the United States, Portugal, Venezuela, South Africa, Germany, European Union, Japan, India, and the PRC. He also has a large bilateral agenda with a great permanent potential that has a special importance; it comes from personal contact with the Brazilian president. This agenda will promote the Brazilian interests and intensify the image the country has achieved as a result of economic stabilization and the resumption of growth, both of which are based on our vigorous democracy.

The basic purposes behind President Fernando Henrique Cardoso's trips are: priority, equilibrium, harmony, and universalism. Modern diplomacy does not only demand presidential diplomacy, with which the president pleasantly complies as a result of his long international and diplomatic experience. It is also an essential instrument for Itamaraty to operate in perfect harmony with the Presidency, other government organizations, and with our partners. As I have already had the opportunity to say, President Cardoso's personal diplomacy will enable Itamaraty to work more harmoniously that ever before in its history.

Chile

Navy Decree Denies Passage to UK Ship Loaded With Plutonium

PY1603220295 Santiago Television Nacional de Chile Imagen Internacional in Spanish 1800 GMT 16 Mar 95

[FBIS Translated Text] The Chilean Government, through a Navy decree, has prohibited the entry into Chilean maritime waters of the British ship Pacific Pintail, which is loaded with plutonium.

[Begin recording] [Unidentified reporter] The British ship will definitely not go through Chilean jurisdictional waters. This decision was made by national maritime authorities, who clearly specified that the Pacific Pintail and another British ship that will make another trip, the (European Sea Water), are in the same situation.

[Deputy Foreign Minister Francisco Mariano Fernandez] The Chilean Government rejects the passage of the ship. We have enough arguments based on the laws for the protection of the health, ecology, and animal environment of the zone to demand that the ship not go through Chilean territorial waters or through the area adjacent to the 200 mile zone. [end recording]

Comptroller Issues Report on Codelco Losses

95SM0199B Santiago EL MERCURIO in Spanish 6 Feb 95 pp C1, C8

[FBIS Translated Text] The administrative report prepared by the Comptroller General of the Republic concerning the Codelco [Copper Corporation] case concluded that the former executives of the company engaged in "reprehensible" conduct in connection with futures operations that entailed losses totaling almost $200 million.

This was established by Raul Fernando Aitken, inspector in the comptroller's office, in the decisional part of the administrative report prepared by express order of the president after the irregularities committed by the former executive Juan Pablo Davila were disclosed approximately one year ago.

The investigation sums up 11 months of interrogation, hearings, and documentation that are contained in a report of approximately 5,000 pages that was delivered to the Office of the President of the Republic, the Council of Defense of the State, and the magistrate Jose Benquis.

The administrative decision states that despite the offenses committed, no charges were brought against the former executives to hold them accountable for their administrative responsibility "solely because they are no longer with the company."

Comptroller General Osvaldo Iturriaga approved the report and proposed a stay of the proceedings.

The report concluded that it has not been established that the Codelco board of directors knew of the irregular situations. It also concluded that the board of directors of the Chilean Copper Commission (Cochilco) had no legal obligation to inspect all of the company's affairs.

It was stated that the report contains verification of the reprehensible conduct of the former officials Alejandro Noemi, Gonzalo Trivelli, Owen Guerrini, Carlos Derpsch, Juan Pablo Davila, Ignacio Guerrero, Manuel Diaz, Carlos Bocaz, and Alfonso Venegas.

The inspector of the Office of the Comptroller General says it should be pointed out that the the Council of Defense of the State and the common courts have taken cognizance of the possible civil and criminal liabilities that could derive from the aforementioned facts.

The report emphasizes the fact that Codelco officials are government employees, arguing that because Codelco is a state enterprise, the Constitutional Organic Law of the General Foundations of the Administration of the State is fully applicable.

The report also states that the responsibilities and prohibitions established by Law 18,046 for the executives of corporations are applicable to boards of directors, chief executive officers, and general managers. The law states that in the performance of their duties the aforementioned officials must exercise the care and diligence that people ordinarily exercise in their own personal affairs, and that they are jointly responsible for any damage that their fraudulent or censurable actions may inflict on society.

Previous Losses

In its decisional part, the ruling lists 40 established facts and then analyzes the individual conduct of the former executives who were implicated in the case.

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The facts reported by the inspector reveal that the company's balance sheets for the period 1989-1992 consistently recorded losses from operations in the futures market—with material backing—that ultimately totaled more than $32 million.

Because of the losses sustained in 1989 ($19 million), it was decided to cease such operations. In May 1990, however, the board of directors agreed to lessen "the uncertainty with respect to prices and fluctuations in the levels of revenue by making sales at a fixed price, trading in metals on stock exchanges, and employing other mechanisms with this objective in mind."

In September of the same year, Codelco's executive committee agreed to submit to the board of directors, for its approval, the policies with respect to futures markets and the official creation of a committee for that area of specialization.

The report indicates that the creation of the aforesaid committee was not submitted to the board of directors for its approval.

Subsequently, in October 1990, this Committee on Futures Markets agreed to authorize future operations in copper for terms not longer than 15 months and for a maximum volume of 10,000 metric tons, with a margin of exposure not to exceed $2 million per day.

In 1991 the Committee instituted a new strategy of price fixing, which consisted of increasing the tonnage to approximately 400,000 metric tons and establishing the term that would apply to future sales (one, two, or three years).

In June 1992 the aforesaid committee approved a strategy of maintaining an open position of up to 10,000 metric tons with a "market exposure" [preceding two words in English] of $500,000 dollars per day.

It was simultaneously decided that the Department [of Futures Markets] had responsibility for carrying out these operations—including the "stop loss order" [preceding three words in English] (orders to stop the losses)—and for reporting, on a monthly basis, the level of the net open position and the "market exposure."

Speculative Operations

The investigation by the inspector established that the speculative operations—that is to say, operations without material backing—were authorized by the committee on 13 August 1992 with a net position of up to 20,000 metric tons, the "market exposure" of which could not exceed $1 million per day in the case of copper.

In the light of these facts, the Department's requirements were to hire a negotiator and to terminate and replace the BS Patner software and hardware, among other requirements.

The report states that this formal action of August 1992 is the last one that was formalized in writing. It further states that no evidence has appeared since then to indicate that the aforementioned committee continued to function.

The following month, the Codelco board of directors planned to fully incorporate the operations on the futures markets. The international office of the Administration of Debts of the Central Bank reported during this period that Codelco had been authorized to operate on futures markets with 550,000 metric tons of copper, 3,300 kg of gold, and 220,000 kg of silver.

With respect to the futures operations, the board also pointed out that in 1991 Codelco concluded "master" [preceding word in English] contracts with four brokers and increased their number to 11 in 1992. In 1993, new agreements were concluded that increased the margins to $250 million.

It is stated, however, that Codelco operated on futures markets through the intermediary of six brokers—in the absence of any master contracts with any of them—and increased the margins by $69 million.

Computerized System

With respect to the computerized system—which acquired significance because Davila initially offered the explanation that he had mistakenly entered certain data—the administrative report established that in April 1991 Codelco approved the creation of a project for the development of a computerized system for futures markets.

Four months later, the Committee on Futures Markets and its project director approved the purchase of $258,000 worth of software, not counting the duties charged.

It was stated that the system could be implemented in February 1992.

Davila used a database that operated with a single source: an excel [as published] electronic template that the former operator used to retrieve information for transmission to the Central Bank and to the office of the Codelco comptroller.

The comptroller's office determined that the Department of Futures Markets did not use the BS Trade [preceding word in English] computer system for the management and control of these operations, despite the fact that it had been available since October 1992.

Controls

With respect to the controls that the aforementioned department was obligated to comply with, the report established that on 10 January 1990 the former vice president for finance and controls, Ignacio Guerrero, asked Codelco's former auditor general, Alfonso Venegas, for adequate and operative controls to be established over these operations because of their complexity.

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The report states that despite Guerrero's request, and although an audit of the department was scheduled in 1991, the auditor did not consider one to necessary and did not conduct it.

Moreover, in January 1993 the executive committee decided to reorganize the internal audit department and reduced the professional staff to 13 from the previous 27.

Two officials who had been qualified in 1992 to operate in futures markets—Ivan Guajardo and Percy Schneider—were not given the task of implementing the controls pertaining to the area in question. They left Codelco in June 1993 under a voluntary retirement program.

The inspector determined that the responsibility for operations and inspection was concentrated in Davila's hands, to the exclusion of any other control mechanism.

The Heavy Losses

The investigation disclosed that during the first half of 1993, the margins of exposure exceeded the established limit on 89 of the 125 days during which transactions were carried out in London: that is to say, in 71 percent of the total number of days. In the second half of 1993, exposures were above the authorized limit during 99 percent of the total number of days.

The report adds that from 5 January 1993 to 17 January 1994, various "carry" [preceding word in English] operations (transfer of the closing of the operations) by means of 263 contracts, which consisted of 1,120 operations for a total of $5.355 billion.

It was established that in October and November 1993, Codelco authorized "carry" operations for six brokers [preceding word in English] with whom lines of credit totaling $155 million were maintained.

The inspector stated that in November 1993 Trivelli and Derpsch became aware that they had open positions for 1944 that could signify losses totaling approximately $10 million.

Trivelli and Derpsch said they had given Davila verbal instructions to terminate the aforementioned operations that had produced negative results for fiscal 1993. The inspector stated, however, that they failed to control the amount of the operations they had in progress or enforce compliance with the order that had been issued.

The deputy chief of the Department of Futures Markets, Gaston Frez, accordingly informed the former accountant general, Carlos Bocaz, that the exposure to the market as of 31 December 1993 was $59.4 million.

On that same date the "dealer" [preceding word in English] Wolfgang Becker, of the Merrill Lynch brokerage, sent a letter to Davila in which he expressed his concern that he—Davila—was not operating within the price range. Davila was working from his home and did not have access to Reuters information from the exchanges of London and New York.

On 21 January Davila went to Guerrini's home to inform him that he had closed positions involving losses of $96 million and open positions with an undetermined "market exposure."

Analysis of Performances

The report analyzes the conduct of each of the former executives.

The inspector declared that the former executive chairman, Alejandro Noemi, did not make the decisions necessary to maintain the Committee on Futures Markets in active status, despite the fact that the board of directors had agreed to fully incorporate the operations on futures markets.

The report also states that Noemi did not properly supervise—although he should have done so—the policy line on marketing and sales with respect to the aforementioned operations; that he did not inform the board of directors of the results of the operations; and that he failed to submit the creation of the Committee on Futures Markets to the board for its approval.

The report concludes that the former vice president for marketing, Gonzalo Trivelli, did not properly supervise the executives employed in the area of sales that was under his supervision, nor did he adopt any specific control measure upon learning of the possible losses totaling $10 million—all of which served to demonstrate that Davila had exceeded the margins of exposure that had been established.

Trivelli's failure to communicate to his superiors the fact that the Committee on Futures Markets was no longer functioning is subject to question.

The former sales manager, Owen Guerrini, is criticized for not having supervised the action of his subordinates—a failure that appears to have been aggravated by the acknowledgment that Davila had informed him verbally of the large volumes of copper that had been involved in the futures operations.

The report also affirms that Guerrini was fully aware of the $13 million in losses sustained during the period from 1990 to 1992 "but took no action in that regard."

The report adds that the former executive was fully aware that the operations were concentrated in Davila's hands, but that not even this fact motivated him to change his control procedures. "Despite this fact," the report states, "he continued the particular method of control that consisted of verbal consultations relative to the matter."

The report maintains that the assistant manager, Carlos Derpsch, confined himself to exercising a form of control over Davila's activities that was merely verbal, although he was fully aware of the fact that all the operations were concentrated in Davila's hands and was also aware of the possible losses totaling $10 million.

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Colombia

Government Note Questions Venezuelan Deportations

PA1603144995 Santa Fe de Bogota Inravision Television Canal A Network in Spanish 0000 GMT 16 Mar 95

[Report by Jose Marcano from Caracas, Venezuela; from the "Seven O'Clock Newscast"—passages within quotation marks recorded]

[FBIS Translated Text] The border issue has taken a new turn here in Caracas. The deportation of more than 30 Colombian citizens [as heard] illegally living on Venezuelan territory prompted the Colombian Government to send the Venezuelan Government an official note expressing surprise at the sudden decision.

[Zulia Governor Lolita Aniyar de Castro] "This operation is not directed against Colombians, but against those who were organized on the other side of the border and then... [pauses] We have enough evidence to prove that these are in fact people who have been infiltrated by Colombian guerrillas."

The Colombian Embassy here said the letter contains no protest whatsoever about the deportations. A census is being conducted to determine which of the people are illegal residents and who should be deported.

[Francisco Posada de la Pena, Colombian ambassador to Caracas] "The note says we want a Colombian consular official to be present at the border to witness the deportation process."

Leading government officials who gathered here today for a special meeting also gave opinions.

[Venezuelan Interior Minister Ramon Escovar Salom] "All of those living illegally in Venezuela can be deported at any time, because there is no reason why Venezuela should accept in its territory anyone who does not have his papers in order."

Action is also being taken in the Venezuelan Congress. The interior and foreign ministers will be summoned on Thursday to explain the Venezuelan Government's latest policies regarding these deportations.

Samper Wants Venezuelan Situation To 'Cool Down'

PA1603141795 Santa Fe de Bogota Inravision Television Canal A Network in Spanish 0000 GMT 16 Mar 95

[Report by Orlando Guerrero from the "Seven O'Clock Newscast"—passages within quotation marks recorded]

[FBIS Translated Text] Upon returning from his European tour, the president spoke to the press about the indispensable issue of Venezuelan relations. Upon his arrival, Colombian President Ernesto Samper Pizano downplayed anti-Colombian demonstrations in Venezuela following an attack against eight Venezuelan soldiers by the Army of National Liberation [ELN]. According to Samper, relations between the two nations continue to be cordial, and the two countries are continuing to seek ways to fight subversion.

[Samper] "After all, our opinion is that we have a common enemy, and we must let this issue cool down to enable us to really work in a calm way."

Although it was obvious that the president wanted to reduce tension surrounding the Venezuelan issue, he was still puzzled by the recent deportation of more than 50 Colombian peasant families [as heard]. The deportation took place within the last few hours.

[Samper] "We cannot hazard a guess as to their reasons, but we are still puzzled, because the eviction came so suddenly. Nevertheless, we have taken all necessary steps to ensure that the return of these fellow Colombians is conducted with as few negative effects as possible."

The president also announced that Colombia today received a note of protest from Venezuela. The note contains several points.

[Samper] "Regarding drug trafficker Larry Tovar, it is the Supreme Court of Justice that must autonomously decide which of the requests should be met."

Last, President Samper announced he would travel to the border region within the next few days to assess the true situation in this part of Colombian territory.

1,000 Peasants Expected To Cross Venezuelan Border

PA1603145095 Santa Fe de Bogota Inravision Television Canal A Network in Spanish 0000 GMT 16 Mar 95

[Report by Sergio Lopez Gomez from Fonseca, La Guajira Department; from the "Seven O'Clock Newscast"]

[FBIS Translated Text] Far from improving, the situation along the Venezuelan border is becoming increasingly tense. While the Colombian Government is attempting to downplay the situation, it appears the Venezuelan Government wants to aggravate it. Border villages between La Guajira and Cesar Departments are receiving dozens of deported Colombian peasants. Outbreaks of infectious diseases are already starting to appear in the camps.

More and more peasants are gradually arriving at the cultural center in Fonseca, worsening problems such as overcrowding, outbreaks of disease, and a lack of food. Many people here need to be quickly transferred to the sports center in Fonseca. More than 1,000 peasants are expected to arrive at the cultural center from the Colombian-Venezuelan border, from where they fled because of harassment and abuses by the neighboring country's Army.

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[Begin first unidentified peasant recording, in progress] ...as though we were animals, mistreating people. In fact, we even have two people missing—Comrade Luis Jimenez and a comrade from the Limon area. [end recording]

The fate of the two peasants remains unknown. They disappeared after Venezuelan airplanes bombed and troops fumigated border areas.

[Begin second unidentified peasant recording] The Venezuelan National Guard is bombing the entire area. Small airplanes are also spraying plots. [end recording]

Up until now, efforts by the municipal administration have been insufficient in overcoming this emergency. In turn, assistance has been requested from private and official agencies. This is the sports facility where the peasants will stay while the national and departmental governments try to put an end to their difficulties.

Navy Bolsters Presence Near Border; Security Council Meets

PA1603201795 Mexico City NOTIMEX in Spanish 1852 GMT 16 Mar 95

[FBIS Translated Text] Santa Fe de Bogota, 16 Mar (NOTIMEX)—The Colombian Navy today increased its military presence near the Venezuelan border to guarantee control over the area, military sources announced here today.

"This was a security plan drafted years ago, but obviously, its implementation was accelerated by recent developments," according to General Octavio Geneco, commander of the National Navy Marines.

The Navy's announcement came one day after Venezuelan President Rafael Caldera ordered the deployment of troops to states bordering Colombia to prevent new incursions by Colombian guerrillas into its territory.

A Colombian guerrilla attack on a Venezuelan river post in Apure State, which took place three weeks ago and left at least three Venezuelan soldiers dead, has created a crisis between the two nations that is threatening to take on greater dimensions.

Geneco told private Caracol radio, "We have reinforced river posts with launches and combat gear" to guarantee order along the border. Another report carried by local media, which cited Venezuelan military sources, said soldiers of the neighboring country are reportedly prepared to cross the border should Colombian guerrillas attack them.

[Madrid EFE in Spanish at 1827 GMT on 16 March transmits a related 310-word, Santa Fe de Bogota-datelined report that adds: "Colombian President Ernesto Samper today summoned a Security Council meeting to review the situation created at the Venezuelan border by the expulsion of hundreds of Colombians. Samper announced he will travel to the region on 17 March and also canceled a visit to Choco Department, in northwestern Colombia."]

Vice President: Colombia To Defend Sovereignty

PA1703031295 Santa Fe de Bogota Inravision Television Cadena 1 in Spanish 0000 GMT 17 Mar 95

[Report by Raul Gutierrez; from the "24 Hours Newscast"]

[FBIS Translated Text] Today, the Colombian Government raised its diplomatic tone and stated its position. Vice President Humberto de la Calle warned the Venezuelan Government that if Colombian territory is violated, as Venezuelan General Jose Antonio Rodriguez has warned, Colombia will make its sovereignty respected.

Colombia will increase its cooperation mechanisms with Venezuela to prevent guerrillas from pushing the two countries into a conflict. The purpose is to create a constructive climate without violating national sovereignty, as Venezuelan authorities have been insinuating by asserting they will not respect any border whatsoever in the event of a renewed guerrilla attack in Venezuelan territory:

[Begin de la Calle recording] Colombia does not accept unilateral actions, does not believe this is the most advantageous attitude under the current circumstances, insists there is a common enemy, and neither Venezuela nor Colombia can play along with the guerrillas. Therefore, we are going to intensify our cooperation mechanisms; that is, advisory commissions, border commissions, direct contact, and coordination between the military forces on the border. I must repeat once again that Colombia will firmly defend its sovereignty. [end recording]

At the conclusion of the National Security Council meeting, it was clear that Colombia will mobilize military forces to the border, that it will file a complaint against Venezuela for human rights violations against deported Colombians, and that joint operations will have to be approved by both nations.

In the political sphere and through their foreign relations advisory commissions, Colombia and Venezuela will try as soon as possible to tone down the tense situation that has prevailed along the border for the past three weeks.

Minister Responds to Venezuelan General's Assertions

PA1703040095 Santa Fe de Bogota Inravision Television Cadena 1 in Spanish 0000 GMT 17 Mar 95

[From the "24 Hours Newscast"]

[FBIS Translated Text] We are going to rebroadcast the controversial assertions of Venezuelan General Jose

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Antonio Rodriguez, who said yesterday on this newscast he would be willing to cross the border in the event of a renewed guerrilla attack:

[Begin recording] [Unidentified correspondent] The current situation is being called a hot border issue. Should there be a guerrilla attack, how many men can you count on to deal with the situation, and would you enter Colombian territory to pursue the guerrillas?

[Rodriguez] We have two special operations brigades now with almost 5,000 men. I would repeat the following to you: How could I tell a soldier, regardless of his rank, how could I tell a commander, lieutenant colonel, general, or lieutenant not to protect his soldiers, not to safeguard their lives? How could I tell them not to pursue individuals who have perpetrated a vicious crime that has had terrorist consequences; that is, rebels. There is no way I could do that. Nevertheless, the Colombian defense minister has said the border is virtually a wall, a retaining wall.

[Reporter] Are you all willing to topple that wall?

[Rodriguez] We have had more than 180 years of freedom and nonaggression. Even if crossing the border is viewed as an aggression, we must live the moment. I will be honest with you. If the moment comes, it will be difficult not to make that decision. [end recording]

Defense Minister Fernando Botero has answered Rodriguez:

[Begin recording] [Alvaro Ayala] Mr. Minister, do people on the street still ask you if Venezuela is going to declare war on Colombia?

[Botero] It is obvious this is a temporary tension. Colombia and Venezuela are united by much more than an incident which, although very painful, should be temporary and transitory, because the relationship between the two countries is very important.

[Ayala] Venezuelan Gen. Jose Antonio Rodriguez has just said if the guerrillas attack Venezuelan territory again, they will cross the border.

[Botero] What matters is the Colombian Government's position that the best way to deal efficiently with the common enemy, the Colombian guerrillas, is through joint, coordinated operations between the military forces of Colombia and Venezuela. This is what is under consideration.

[Ayala] That same general has quoted you as having said that the border is a retaining wall that cannot be crossed, and that with this decision you are favoring guerrillas, criminals, and bandits.

[Botero] I did not say that. What I said is that the best way to be effective against the guerrillas at this moment is through joint operations by the two military forces. Other types of military operations, such as hot pursuit or demilitarized border zones, should be considered by both countries' Foreign Relations Advisory Commissions, respecting such criteria as constitutionality and reciprocity.

Armed Forces, Navy Commanders View Border Tension

PA1703033295 Santa Fe de Bogota Inravision Television Cadena 1 in Spanish 0000 GMT 17 Mar 95

[From the "24 Hours Newscast"]

[FBIS Translated Text] General Camilo Zuniga, commander of the Colombian Armed Forces, discussed the border tension a few minutes ago:

[Begin recording] [Unidentified reporter] What will happen if the Colombian Army finds that Venezuelan troops are crossing the border into Colombia?

[Zuniga] I do not believe this situation will actually take place. I am familiar with the professionalism of the Venezuelan Armed Forces. In addition, Colombian Armed Forces are constantly in touch with the Venezuelan Armed Forces. I do not believe such a situation will happen.

[Reporter] What if it does happen?

[Zuniga] I do not like to discuss hypotheses.

[Reporter] Will troops be confined to their quarters? What immediate measures were decided at today's Security Council meeting?

[Zuniga] We have always been in a permanent state of alert, although not exactly with our troops confined to their quarters. [end recording]

Navy Commander Admiral Holdan Delgado has confirmed Colombia is prepared and has anticipated an increase in the number of troops at the border, not to confront Venezuelan troops but, rather, to defeat a common enemy called the Guerrilla Coordinating Board:

[Begin Delgado recording] Each of the two countries makes itself present at its border. Because we have a common enemy, the subversives, special operations have been implemented to try to neutralize, locate, reduce, and hand them over to the administration of justice. [end recording]

President Ernesto Samper presided over a special Security Council meeting with the military high command this afternoon to study the situation at the border.

Ecuador

Minister: Basic Protection Provided for Observers

PA1703045095 Paris AFP in Spanish 0209 GMT 17 Mar 95

[FBIS Translated Text] Quito, 16 Mar (AFP)—Ecuadoran Defense Minister General Jose Gallardo said

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on Thursday "basic protection" has been provided for the observers from Argentina, Brazil, Chile, and the United States to go to the theater of the armed conflict between Ecuador and Peru, where they will supervise compliance with the cease-fire. "Basic protection has been provided. Full guarantees just do not exist," he said.

Gallardo alluded to an announcement by Peter Romero, U.S. ambassador to Quito, saying the four helicopters the U.S. Government has provided for facilitating the observers' work will not enter the battle zone as long as the Ecuadoran and Peruvian forces in the area of conflict do not concentrate in specific points so a demilitarized zone can be created.

The ambassador said that the helicopters will continue to fly observers as far as the Ecuadoran base at Coangos in the area in dispute in order to supervise compliance with the cease-fire but that the aircraft "will not overfly the area in dispute, because a demilitarized zone must be defined before the helicopters can go in."

Gallardo said he respects this U.S. Government decision, which will partly limit the work of the international observers, although it will not completely stop it. "The observers keep working as scheduled," he said.

Gallardo said that the demilitarization process will begin when the foreign delegates give the order and that hostilities have ceased completely since 1 March.

Deputy Minister on Possible Border Closure, Observers Group

PA1703030295 Quito Voz de los Andes in Spanish 2300 GMT 16 Mar 95

[From the "The Voz Andes Newscast"]

[FBIS Translated Text] Deputy Foreign Minister Marcelo Fernandez de Cordoba said Ecuador should close its borders and establish precise limits in response to the Ecuadoran people's clamor to resolve the territorial problem fairly and honorably. In Fernandez de Cordoba's opinion, this would allow Ecuador to focus all its attention on other areas that are important for the development of the two peoples. Fenandez de Cordoba also said the president has spoken of the need to respond to the generalized desire to close the border. The deputy foreign minister is therefore searching for a single opinion to propose to Peru.

He also announced that over the past few hours, military observers from the guarantors countries have been working intensely in Coangos, Condor Mirador. Today they will approve a definitive plan to properly verify the cease-fire and to define the demilitarized zone.

He said that the country and the Armed Forces remain on alert because this is a process that must take place simultaneously by the two parties. We cannot drop our guard until Peru has demonstrated its willingness to comply with the separation of forces, the demobilization, and the important points in the Itamaraty Peace Declaration.

Fernandez de Cordoba clarified that the demilitarized area has yet to be established, but it must be in the area where the clashes took place. The demobilization, on the other hand, includes the withdrawal of forces encamped on the border that are not normal in peacetime. He noted that the observers will travel to Tiwinza once the cease-fire is verified and when there are sufficient guarantees. He said Tiwinza and Base Sur are two points designated in the Itamaraty Peace Declaration that observers must use as area operational bases.

Regarding the visit of U.S. Ambassador Luigi Einaudi, Deputy Foreign Minister Marcelo Fernandez de Cordoba believes it is important because it shows U.S. interest in learning Ecuador's position and the truth about border issues. Ambassador Einaudi has held several meetings at the highest level with the president, vice president, Congress president, and other officials to learn Ecuador's opinion on territorial issues. Fernandez de Cordoba said Einaudi will undertake a similar task in Peru.

Communique Urges Definitive Solution to Border Dispute

PA1703024395 Quito Voz de los Andes in Spanish 2300 GMT 16 Mar 95

[From the "The Voz Andes Newscast"]

[FBIS Translated Text] We begin this newscast with a report from Senacom, the State Communications National Secretariat:

The latest conflict between Ecuador and Peru has resulted in the general consensus that this is an historic moment to definitively resolve the problem that has always caused friction between Ecuador and Peru.

Analysts say it is inconceivable that on the eve of the 21st century, when most countries and groups of countries are relaxing borders to make way for fluid trade and exchange, two poor, underdeveloped countries continue to fight for a small sector of inhospitable jungle.

They note that the climate is favorable in Ecuador, considering the current political and popular unity and the decision to review the former position that proclaimed the overall annulment of the 1942 Rio de Janeiro Protocol, which established the 1,600 km binational border.

Ecuador favors the strict application of the Rio de Janeiro Protocol in those areas where it can be executed, and the search for a consensus between the parties in those areas where it cannot be executed, the sources said, alluding to the undelimited area between the Zamora and Santiago Rivers.

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Since 1942, when the Rio de Janeiro Protocol was signed, Peru has proclaimed its observance of the document, even though it now intends to ignore Article 7, which establishes Ecuador's right to freely navigate the Amazon River and its southern branches.

The Rio de Janeiro Protocol specified for Ecuador similar navigational rights in the same waterways to which Brazil and Colombia have access and ordered Peruvians and Ecuadoreans to formalize a trade and navigation treaty to facilitate free navigation of these rivers.

Ecuador obeys the Rio de Janeiro Protocol and demands an amendment of the portion which cannot be executed, recognizing Ecuador's rights under the new rules to free and sovereign access to the Amazon River and to the Atlantic Ocean through its waters.

In 1942, with the signing of the Rio de Janeiro Protocol, Peru was assigned 174,500 sq km of Amazon jungle owned by Ecuador, which caused Ecuador to lose direct and sovereign access to the Amazon River. Ecuador had access to the west bank of the Amazon River before the Peruvian military invasion in July 1941.

A similar resolve to find a definitive solution to the border problem between Ecuador and Peru is being exhibited by the Rio de Janeiro Protocol guarantor countries—Argentina, Brazil, Chile, and the United States—whose heads of state and other high-level officials have stressed the historic opportunity that now exists to end the dispute.

In an unprecedented move, the United States has proposed an end to the Ecuadoran-Peruvian problem and has sent State Department official Luigi Einaudi to both countries to inform them of the new U.S. position in favor of peace.

In statements made in Quito before traveling to the conflict area, Einaudi said the guarantor countries could become arbiters in the Ecuador-Peru dispute and help find ways to resolve it as soon as possible.

Ecuador also hopes to get Pope John Paul II to arbitrate the matter, although it is aware that for this there must be a shared resolve and both sides must make the request. In other words, Lima must also request the pope's arbitration.

Minister Announces Budget Cut in Wake of Conflict

PA1603192695 Quito Voz de los Andes in Spanish 1700 GMT 16 Mar 95

[Report by Marco Antonio Bravo from "The Voz Andes Newscast"]

[FBIS Translated Text] The government has for the time being ruled out the adoption of new economic measures to cover the cost of the border conflict with Peru. Finance Minister Modesto Correa said this is an official decision to avoid further damaging the purchasing power of Ecuadorans:

[Begin Correa recording] There will be no burden on Ecuadoran families, especially those with the lowest incomes. You can rest assured the president of the Republic is completely aware of the social situation. There will be no burden especially on those who are in lower and middle income brackets. [end recording]

While the government is studying the possibility of increasing taxes for certain sectors, it has definitely ruled out the adoption of new economic measures to cover the costs of the border conflict with Peru, Finance Minister Modesto Correa added.

The finance minister confirmed this year's budget will be cut to provide more funds in view of the conflict. Correa insists that the budget cut will not be excessive, but will be enough to collect the necessary funds:

[Begin Correa recording] We have talked of up to 1 percent of GDP, that is, up to 400 billion sucres. The other option is a 0.5 percent reduction, that is, 200 billion sucres, to achieve a balanced budget. This would yield 200 billion to cover war expenses. [end recording]

The government insisted there will be a budget cut but so far it has not determined the figure. The National Congress is currently studying ways to ensure this budget cut does not affect social investment in Ecuador.

Paraguay

Wasmosy Dismisses Possibility of Coup

PY1603155995 Madrid EFE in Spanish 1851 GMT 14 Mar 95

[FBIS Translated Text] Bucharest, 14 Mar (EFE)—Today, during an official visit here, the president of the Republic of Paraguay, Juan Carlos Wasmosy, emphasized there was no possibility of a coup d'etat in his country during his term in office.

During a news conference with which he concluded his two-day visit to Romania, Wasmosy told EFE: "You may rest completely assured that during my administration there will be no coup d'etat."

Wasmosy pointed out: "Therefore, if I harbored any doubts about political stability, I wouldn't be so tranquil while visiting here."

With respect to the sway of military officers in Paraguay's political life, the first civilian president after 40 years of military regimes noted: "The Armed Forces members are the ones who had better adjust themselves to changes."

Wasmosy said: "We are organizing the Armed Forces, training them and streamlining them. Over 18 generals

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have already gone into retirement. The number of positions for generals has been reduced from 82 to 38. More than 300 colonels and 350 police officers have already gone into retirement, and not a single shot has been fired so far."

Nevertheless, Wasmosy admitted: "There are politicians who look back to the past because they are stuck in the past and, as they don't have any other possibility, they hope or want to gain access to the government through a coup d'etat."

According to the Paraguayan president, the movement of fighter planes to southern Paraguay, which prompted new rumors of a possible coup d'etat last weekend, was nothing but a "movement of planes to Ayolas, strictly in accordance with an Air Force training program."

Ayolas, a city located 312 km south of Asuncion, has been totally modernized during the Paraguayan-Argentine joint construction of the Yacyreta hydroelectric power plant on the Parana River. Wasmosy pointed out: "In Ayolas, there is a runway that will be equipped with all the instruments required by the OACI (International Civil Aviation Organization)."

Concluding his remarks, Wasmosy said: "The privatization of Paraguayan Airlines and the organization of the pertinent carriers, workshops, and hangars by the National Civilian Airports Administration to allow these private companies to occupy the areas currently occupied by the Air Force planes explains why the Air Force commander and Air Force officers frequently go to Ayolas."

Campesinos Mobilize in Day of Protest

PY1503151595 Asuncion NOTICIAS in Spanish 16 Mar 95 pp 12, 13

[Report by unattributed special correspondents]

[FBIS Translated Text] Coronel Oviedo—Thousands of campesinos mobilized throughout the country on 15 March in a day of national protest and in defense of the agricultural worker. The main mobilization was held in Coronel Oviedo with the participation of more than 5,000 persons, while thousands of persons also carried out demonstrations at other points throughout the country. In the harangues that were made during the course of the demonstrations, the government was warned that if the demands are not heeded, there will be massive occupation [of land] and new closures of highways.

A large-scale mobilization of campesinos was held in Asuncion on 15 March, closing the day of protest and issuing of demands on the part of the workers of the interior.

An increase in the price of cotton to 1,500 guaranies per kilogram, the immediate expropriation of large nonproductive latifundium, the implementation of a real overall agrarian reform, and an end to the persecution of the campesino leaders were the main points of the protest.

The campesinos also established the guidelines that they will implement as of this time, and they include a plan of struggle in order to make themselves felt by the national authorities.

Within this context, they made known that they will continue with the mobilizations, which will have the prime objective of forcing a "necessary negotiation" with the government.

Eladio Flecha, president of the National Campesino Federation (FNC), said that "if the authorities do not heed our demands, we will be obliged to resort to more mobilizations, and in this respect, there will be a return to the closure of highways and massive occupations."

The mobilizations of protest and demands of the campesinos were carried out with total normalcy in several of the main areas of the country.

In this respect, the organizers estimated that some 30,000 campesinos actively took part in the mobilizations that were carried out in all the departments of the country.

In all areas where the mobilizations were carried out, the police implemented a discreet system of control. The police did not even carry weapons when overseeing the main demonstration that was held in Coronel Oviedo, and this was applauded by the demonstrators.

Peasant Leaders Reject Mercosur, Privatization

PY1703002995 Asuncion NOTICIAS in Spanish 16 Mar 95 p 15

[FBIS Translated Text] Coronel Oviedo—Peasant organization leaders said yesterday that their struggle is marked by their efforts against privatization and against Mercosur [Common Market of the South].

Gregorio Fernandez, of the "Struggle for Land Organization" (OLT), said that Paraguay's membership in Mercosur is built on bases that in general clearly hurt Paraguayan peasants.

The document issued by the National Coordinating Board of Peasant Organizations (MCNOC) says that Mercosur will suffocate small producers, because Argentina and Brazil have greater economic, technical, and productive capacity.

FNC [National Peasant Federation] President Eladio Flecha said that Argentine and Brazilian producers, because of their levels of productivity, will flood the national market with fruit, vegetables, and other products. Flecha added that these products will obviously have lower prices, which will condemn the national agricultural producers to misery.

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"We do not support an integration of competition, but an integration of cooperation. It is quite clear that we will not be able to compete with the larger countries, which will put the Paraguayan market at the mercy of large foreign capital," Flecha said.

With respect to privatizations, the peasant leaders said that the way they are presented, they are nothing but mechanisms "to simply and clearly" favor the powerful interests of oligarchical economic groups.

Peru

Congressional Candidate Among Arrested Subversives' Targets

PY1603183195 Lima LA REPUBLICA in Spanish 10 Mar 95 p 6

[FBIS Translated Text] Four members of the "Red Path" annihilation squad led by fugitive Carlos Alberto Ramirez Duran "Feliciano" were captured by agents of the National Counterterrorism Directore [Dincote]. They have been undergoing intensive questioning for the past 48 hours in an effort to arrest their accomplices.

Their plans included murdering Michael Azcueta, former Lima councilman and campaign head of the Union for Peru (UPP); UPP congressional candidate Martha Moyano, sister of the late leader Maria Elena Moyano; and Villa El Salvador Mayor Cesar Soplin. "Malena" [Maria Elena Moyano], as everyone knows, was blown to pieces when attacked with dynamite sticks by Shining Path terrorists in Villa El Salvador.

Intensive activities were observed yesterday at Dincote headquarters on Espana Avenue, with operations groups entering and leaving the premises. The detectives at all times tried to avoid contacts with reporters in order to surmount obstacles to their investigations.

It was learned that among the detainees is a well-known Shining Path military commander of the Southern Cone. The arrests took place at night in the second sector, Route "B" of Villa El Salvador.

The terrorists were surprised by Dincote operations groups, who also seized plans of public buildings and zonal organizations and information gathered as a result of "surveillance" carried out on Azcueta, Moyano, and Soplin. The terrorists also had subversive propaganda and leaflets intended to sabotage the 9 April general elections, urging voters to invalidate their votes.

List of Parties for Congressional Elections Released

PY1603230295 Lima EXPRESO in Spanish 10 Mar 95 p A6

[FBIS Translated Excerpt] In keeping with Article 92 of the Electoral Law, the National Election Board (JNE) yesterday published—in the official newspaper EL PERUANO—the list of congressional candidates from the 21 political organizations that can participate in the next general elections.

Those organizations are: Peru Puma Alternative Movement, Fia Popular Agricultural Front of Peru, Independent Front for National Reconciliation, Independent Agrarian Movement, Renewal Movement, C90-NM [Change 90-New Majority], Inca Independent Movement, Peru to the Year 2000-Frenatraca [National Front of Workers and Peasants], United Left, Independent Social Movement-Recambio [Profound Change Movement], APRA [American Popular Revolutionary Alliance], Reformist Party, Moralizing Independent Front, Christian Popular Party, Independent New Peru Movement, Code [Democratic Coordinating Movement]-Peru Viable Nation, Union for Peru, Opening for National Development-PS [expansion unknown], Popular Action, and Obras Civic Movement. [passage omitted]

Uruguay

Planning Director Discusses Policies

PY1603153595 Montevideo LA MANANA in Spanish 8 Mar 95 p 3

[FBIS Translated Text] Ariel Davrieux, Planning and Budget Office [OPP] director, anticipates an increase, not a drop, in global demand. Government policies will seek to balance public spending by not issuing money or asking for large loans from the international banking community. Davrieux ruled out any sudden dollar scare, although he did not say if the exchange rate will change to help control the fiscal deficit.

The first economic polices of President Julio Maria Sanguinetti's administration are being carefully viewed from inside the country and abroad.

The president of the Chamber of Construction announced a few days ago that a recession is affecting the construction industry, adding that real estate prices dropped in zones like Punta del Este following the uncertainty created by the situations in Brazil and Argentina. Ariel Davrieux, the president's main economic adviser, believes, however, that the central policies of Sanguinetti's administration, which seek to reduce the fiscal deficit, will create "a global increase, not a drop, in demand."

Discussing the fiscal deficit and the direct effect of the economic policies on the people, Davrieux said: "Taxes and economy ministers are unpopular everywhere in the world. No one wants the government putting its hand in your pocket."

Davrieux said reducing the much discussed fiscal deficit depends "not on the direct benefits that are easily seen, but on what these measures prevent, because a government can deal with a large fiscal deficit by issuing money, which creates chaotic situations with high inflation rates—like in Brazil where inflation reached 50

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percent and was accompanied by violence and attacks on supermarkets—or by balancing its public accounts."

During the past few days, Davrieux told the press: "Uruguay has always had a rather high inflation rate, but never suffered very serious situations." The planning director added: "We cannot cure a large fiscal deficit by issuing money because it will create very serious problems. We must prevent that from happening."

After ruling out the possibility of issuing money to temporarily help the economic recovery, Davrieux said: "Another way is to finance the deficit with loans, but this just means postponing the problem. This might be a valid solution at some point, but we must not accumulate debts because the problem will be worsened."

Is it right for a country without large values in this area to finance part of its deficit with borrowed money? Davrieux wondered: "There are limits. Credit is available to those who do not use it a lot. If you use credits too often you lose them."

Davrieux gave an example: "Banks want to lend money to a company that borrows occasionally and is in a good economic situation. But banks get suspicious when a company starts borrowing money every month and asks for increasingly large amounts. Then they refuse to lend it any more money. The case of a country is no different. If Uruguay asks for $500 million every year it will lose its credit worthiness and get nothing. At present Uruguay is in a very solid situation because it has always paid back what it borrowed. Only in exceptional situations, like in 1982, did it request a large loan. This is why repeatedly asking for loans is no solution."

Davrieux said that no person or company can constantly borrow money. A country cannot just go ahead and issue money if it wants to avoid high inflation rates. We must try "to balance our accounts and lower cur fiscal deficits."

The question is how to balance our accounts and encourage progress in a situation where we cannot "issue or borrow money," as proposed by the OPP director.

The question derived from this policy, which can be considered a valid Sanguinetti administration policy, is if the government will consider a growing private concern: People want to know the new rules of the game before contracting a debt. People today are not buying property because they do not know what will be their obligations. They want to know what will happen to the exchange rate and the administration's anti-inflation policy. This situation is very obvious in the case of car sales on installments. The drop in sales has been severe.

Davrieux believes "a reduction implies cutting spending by just over 1 percent of the GDP. If our exports grow as anticipated, and as they have been growing over the past few months, we will have an increase in the internal demand of over 1 percent to 2 percent. Thus, we will experience an increase in global demand, not a drop."

The OPP director and designer of the country's economic policies analyzed the "dollar disease," which has spread following the fall of international markets and has affected all areas of the world. The problem has not affected Uruguay, and in some cases has even benefited the country, but the administration is expecting a year "that will not be easy."

Davrieux said: "It is not easy to know exactly what will happen. The problem is that if one does not prepare for a difficult year it will become even more difficult. We must design adequate policies for the current economic situation. There are some satisfactory conditions, but the external situation can exert pressures and create difficulties. So far our situation is fine and does not have serious difficulties."

"If we do not adopt these measures, changes will be needed—not just adjustments. Changes are not being introduced to improve the system because they are strong and we must avoid them. We will implement measures to alleviate the deficit that stands around 4 percent. This is an Economy Ministry projection that takes into account a retraction of the external demand. We have already seen that tourism has dropped, which is an area pays good taxes. This is why tourism is so interesting for the country. When tourism drops, revenues derived from tourism drop and this creates additional difficulties for our fiscal situation."

Even though it is not within his sphere of action, Davriuex announced that there will not be any important changes over the dollar. He said: "When facts are analyzed it can been seen that Uruguayan competitivity has improved during the past 4 or 5 months because the dollar has depreciated against other currencies and because prices have increased in Brazil. Yet the exchange policy is still out of line as related to the fiscal situation, which in 1994 experienced the most important rise ever, and it will continue to rise due to current conditions. This implies a fiscal adjustment in order to place the deficit within compatible parameters with a decreasing inflation. [no closing quotation marks as published]

The head of the OPP finally said: "The fiscal reduction, an essential factor in balancing the economy, will this month amount to some $220 to 225 million, which is one of the main objectives of Luis Mosca's Economy and Finance Ministry."

Army Commander in Chief Interviewed

PY1703014095 Montevideo BUSQUEDA in Spanish 9 Mar 95 p 56

[Interview with Lieutenant General Juan C. Curutchet, the recently installed Army commander in chief, by an unidentified BUSQUEDA correspondent; place and date not given]

[FBIS Translated Text] [BUSQUEDA] Your installation as Army commander in chief came amid high expectations in military circles of how you will handle some of

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the measures adopted by your predecessor which caused malaise within the Army. Will you make important changes?

[Curutchet] I think one must analyze each question separately and see their incidence on present and future situations. The change in outlook cannot simply follow an opposite approach to the current one. It would be self-defeating as any swing of the pendulum to opposite ideas. This new outlook should include the positive things of the previous administration so we can move ahead.

[BUSQUEDA] Former President [Luis Alberto] Lacalle and the former Army Commander in Chief Daniel Garcia both said on many occasions that the Armed Forces have been undergoing an important restructuring. Will you continue this overhaul?

[Curutchet] I have not had access to any documents explaining the restructuring you have mentioned. The only thing I have seen is a resolution dating back to March 1993, in which some general guidelines are established. As I said before, we will pursue every course of action that is good for the country and the Army. Over the last few days, the new Army command has issued its first guidelines establishing concrete tasks and responsibilities in the areas of Personnel, Operations, Administration, and Development Support, which seek to achieve the greatest efficiency and ongoing modernization.

[BUSQUEDA] Is the disbanding of mounted divisions, which gave rise to malaise within the Army, for example, a thing of the past?

[Curutchet] The issue was not presented in that way. The mechanization of Army mounted units began half a century ago and, within the possibilities of the moment, we have managed to mechanize half the units. Contrary to what you said, this never caused any resistance. You are referring to a project to vacate and sell some Army barracks, which fortunately, did not happen.

[BUSQUEDA] Will you go through with the purchase of 60 Czech small tanks?

[Curutchet] Yes, they are second-hand tanks which have been repaired in the factory that assembled them and will be purchased at a very good price using funds the United Nations has allocated for the replacement of materiel. They will be used for future missions.

[BUSQUEDA] What are you going to do with the Veterinary and Remount Service, which your predecessor moved and reduced?

[Curutchet] It is an important service, which will be supported because it is wholly valid and has possibilities since it meets the needs of the Army and the country. This service not only manages our rural properties that we use for instruction and maneuvers, it also makes them productive, enabling us to cut expenses from the national budget. It makes a valuable contribution to the country's livestock wealth through military studs, breeding establishments for pedigree cattle, swine, and sheep. Prizes have been won at exhibitions in all these areas. The Veterinary and Remount Service constitutes a great opportunity for veterinary teaching and research, including an operating theater for big animals. It has the only schools for veterinary nurses and farriers in Uruguay.

[BUSQUEDA] During your installation, you quoted Clemente Estable [famous biologist born in 1894]: "True progress does not lie only in innovation, also in defending what we have." Do you believe that under the previous command something "precious" in the Army was lost in the quest of innovation?

[Curutchet] The Army has more than 180 years of history and tradition. It is based on this that I highly regard and appreciate its values, enabling us to move into the future resolutely and soundly.

[BUSQUEDA] Before leaving his post, Lieutenant General Garcia said he suspended his meetings with generals because he considered them part of a "corporatist" management typical of de facto regimes. He asserted that the continuation of these meetings would be tantamount to "prolonging a vicious circle," which "corrodes the Army." Will you re-convene these meetings?

[Curutchet] I will not get involved in an argument with my predecessor. I intend to work with the Army generals because that is the normal way to transmit to the institution the guidelines and orders of its commander in chief through the natural chain of command. Besides, it is necessary and very useful to receive generals' advice and recommendations on how to improve things and thus avoid mistakes. It is my considered opinion that those meetings are the basis of continuity within the institution. Obviously, if I am going to work with Army generals I have to hold meetings with them, especially meetings with those responsible for the different areas. This does not mean we will make collective decisions—we are all aware of our responsibilities—nor that such meetings should cause concern. The subjects we will discuss are very concrete and related to the Army's internal management and functioning.

[BUSQUEDA] You seem confident that you will have a favorable response from the Army...

[Curutchet] Oh, absolutely. The Army has in its entirety always responded with nobleness and discipline to its command. Besides, an efficient functioning of the system can only be obtained in a climate of mutual trust. Mistrust leads to an exaggerated centralization and isolation of the top echelons, which undermines the Army's morale, as its members neither know the objectives nor understand the criteria followed.

[BUSQUEDA] In your speech you mentioned that one of your objectives was to be able to assure the top echelons of the Army that only their aptitude and effort

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would lead them to a successful career. How are you going to put this into practice?

[Curutchet] Presently, an officer who graduates from the War College must complete the six-year high school course and four years at a university with a boarding system. Afterwards, officers are required to pass three qualified postgraduate courses of one year's duration in order to become colonels. These are the minimum and mandatory requirements. In addition, officers go through various specialization courses, competitions, posts of responsibility, operational missions, memberships in courts of honor (whose members are appointed by a secret vote cast by subordinates), yearly ratings throughout their stint, and so on. I believe all these are objective facts in formulating an opinion. These facts must be assessed by the appropriate court, using previously established criteria, in order to draw up a list of merits that is sent to the executive branch for selective promotion.

[BUSQUEDA] What are you pursuing with this system? Are you trying to prevent political or internal group influences on promotions and posts?

[Curutchet] As you know, military officers on active duty cannot become involved in politics. This would involve placing the coercive power of weapons and the influence over others that is usually enjoyed by those in command at the service of a given sector, and this is not their mission. Quite the contrary, military officers have a mission to guarantee neutrality and support for the people's freely expressed will. Now then, the existence of groups that are interrelated through sympathy, interest, or friendship is only natural for individuals, is unavoidable, and is even positive as long as this interrelationship does not misrepresent the system's fairness in favor of any one of its members. If this happens, it is unfair. It divides and weakens the Army. I therefore assume all responsibility in avoiding this. Nevertheless, going back to your question, I don't believe that the sound operation of this system will be guaranteed by any one measure alone. It represents a step in this direction, but it is quite likely that we will meet on this path all those who, either from the inside or from without, love and respect the Army.

[BUSQUEDA] In your speech you expressed the opinion that if personnel reductions continue, the Army's compliance with the mission for which it was created would be compromised, which would represent a risk for our security and sovereignty. Why?

[Curutchet] Because these are some of the values that the Army, as part of its mission, actually has to safeguard. In our case, we are more sensitive to personnel reductions because we have an exceptional recruitment system involving contracted volunteers. Therefore, we don't have trained reserves to mobilize whenever required, as is the case with armies whose recruitment is based on a compulsory military service system.

[BUSQUEDA] Did General Fernan Amado ask you to again raise the petition for a court of honor, which both of you had requested of the former Army commander in August 1993, to judge General Mario Aguerrondo in the case involving espionage among generals?

[Curutchet] The decree regulating the operation of courts of honor requires that they maintain confidentiality in their procedures and proceedings. I beg your pardon, but this is an internal issue.

Labor Minister Speaks at UN Social Development Summit

PY1603231195 Montevideo EL OBSERVADOR ECONOMICO in Spanish 11 Mar 95 p 7

[FBIS Translated Text] Ana Lia Pineyrua, labor and social security minister, included in her speech at the world summit on Social Development currently under way in Copenhagen the country's rejection of the so-called "social dumping." The suggestion was made by entrepreneurial and labor circles.

With respect to the role of the state, Pineyrua said that "the Uruguayan Government is fully conscious that the state has the greatest responsibility for formulating social policies and providing the legal instruments to promote desired transformations. Pineyrua added that she was, however, conscious that all social agents involved need to participate in the undertaking." [quotation marks as published]

The labor minister warned, however, that "the national effort, if isolated, could fail unless it has international support through cooperation and solidarity."

In her speech given on 10 March the minister emphasized "current UN concern with respect to the so-called 'social dumping.'"

She said, however, that we "respect the internal jurisdiction of states, as well as their political and cultural diversity, but deem it indispensable that the international community, and each one of its members, assume a commitment to adopt regulations to give dignity to workers (...) and provide healthy and safe labor environments, seeking to improve workers' standard of living."

Pineyrua added: "It is imperative that an in-depth analysis of social issues and distributive policies in a context of real and sustained growth be made."

The minister said: "Governments must create the adequate economic and social conditions to make possible, through competitiveness and efficiency, the achievement of an economic growth that promotes widespread effects and a suitable redistribution of income."

The minister also said: "The provision of basic and free general education is indispensable," giving as an example the system prevailing in Uruguay.

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With respect to the need to establish labor retraining programs, Minister Pineyrua warned that "it is important that a state offer its citizens a broad range of opportunities for professional training in productive activities, in order (...) to permit them to successfully compete in an increasingly demanding labor market, where a command of updated technological and technical know-how is absolutely necessary."

Venezuela

President Opens 'Theater of Operations' on Colombian Border

PA1603163895 Caracas Venezolana de Television Network in Spanish 1550 GMT 16 Mar 95

[From "The News" newscast]

[FBIS Translated Text] Via a decree, President Rafael Caldera has opened theaters of conflict and operations in the border municipalities in the states of Amazonas, Apure, Tachira, and Zulia. The theater of operations refers to a region in which various Armed Forces commands will conduct operations. The area stretches from Zulia to Amazonas to cover those sites potentially susceptible to attacks by Colombian guerrillas. The theater of conflict that will cover 16 municipalities in Zulia, Tachira, Apure, and Amazonas, and it is designed to guarantee order, security, and tranquillity of residents... [break in reception]

Decrees Issued To Secure Border

PA1603175695 Caracas EL NACIONAL in Spanish 16 Mar 95 p D-1

[Report by Wilfer Pulgarin]

[FBIS Translated Excerpt] It has been reported that the Council of Ministers issued two decrees yesterday. The objective of the decrees is to guarantee order, security, and peace for the people and to secure economic and social development for the region that borders Colombia.

The first decree calls for the "Definition and Activation of the Theater of Conflict" in the zone that includes the territories of the autonomous municipalities of Rosario de Perija and Catacumbo in Zulia; Garcia de Evia, Pedro Maria Urena, Bolivar, Panamericano, and Fernandez Feo in Tachira; Paez, Pedro Camejo, and Romulo Gallegos in Apure; and Atures, Atuana, Manapiare, Atabapo, Alto Orinoco, and Guainia in Amazonas.

The decree's second article includes the activation of Operations Theater No. 1 in the municipalities of Fernandez Feo in Tachira and Paez, Pedro Camejo, and Romulo Gallegos in Apure.

According to the explanations given by Central Information Office [OCI] Director Guillermo Alvarez Bajares, the Theater of Conflict is understood to be the general area that is to be given "special attention militarily." The Theater of Operations, he said, refers to the actions that must be carried out within a specific sector.

The second decree addresses the creation of military courts and the reorganization of territorial jurisdictions. [passage omitted]

Alvarez Bajares asserted that the chief of state took these measures "in light of the fact that rebel groups have been raiding border areas in the states of Amazonas, Apure Tachira, and Zulia to commit crimes related to drug trafficking, terrorism, insurrection, contraband, murder, sabotage, extortion, abductions," and others.

The OCI director was asked: Is this a state of military alert or just the establishment of a Theater of Operations?

[Alvarez] Of course this is a state of alert. The simple fact that this group will be established there next Saturday, as well as that the Theater of Operations will be established, indicates there is a state of alert.

[EL NACIONAL] How will you deal with crimes attributed to insurgent forces?

[Alvarez] Just as that: as crimes, as criminals, as terrorists.

[EL NACIONAL] Common crime?

[Alvarez] Obviously.

[EL NACIONAL] If the concern is over common crime, why will military courts handle these cases?

[Alvarez] This jurisdiction was established because no civilian authorities in the region were capable of monitoring the border.

Meanwhile, Defense Minister General Moises Orozco Graterol refused to give any details regarding the establishment of a Theater of Operations or a Theater of Conflict. He only said the Theater of Operations, which will, in this case, replace the 1-1 Task Force, is a "superior unit." Just to say something, he noted, a task force can have two battalions, while a Theater of Operations could have 10 or 12 battalions. He apologized for not giving any more details because of the sensitivity that military operations require.

In light of the fear of possible attacks by Colombian guerrillas against power stations in the border region, the military officer said: Up until now the only incident was an extortion attempt using a document they sent to Corpoven [Venezuelan Petroleum Corporation] in an attempt to negotiate with the company, which by no means agreed to do so. Since then, we have had no reports of actions they might be planning. We believe that the increased number of soldiers in the region is preventing any action against the oil industry.

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He also reaffirmed that he has no official information regarding what the Colombian authorities will finally decide to do about the hot pursuit strategy.

Decree Creates Border Military Courts

PA1603184595 Caracas EL UNIVERSAL in Spanish 16 Mar 95 p 1-15

[Decree No. 58915 issued by President Rafael Caldera in Caracas on 15 March]

[FBIS Translated Text] In exercise of the power vested by Articles 40, 48, 70, and 109 of the Military Justice Code in the Council of Ministers,

WHEREAS:

In the border region in the states of Amazonas, Apure, Tachira, and Zulia there have been incursions by illegal groups who have caused the loss of lives of members of the National Armed Forces [FAN] and civilians, and there have been a series of offenses affecting public order and the economic and the social situation of these areas;

WHEREAS:

In order to contribute to the reestablishment of normalcy in this area, the participation of military justice through the creation and transfer of military courts and the restructuring of territorial jurisdictions is required,

DECREES:

Article 1. The First Military Court of Guasdualito, Paez Municipality, Apure State, is created with the jurisdiction set out in this decree.

Article 2. The Third Military Prosecutor's Office to the Permanent War Council of San Cristobal is created, based in Guadualito, Paez Municipality, Apure State.

Article 3. The Defense Ombudsman's Office for the Accused Under Military Law of Guasdualito, Paez Municipality, Apure State is created.

Article 4. The First Permanent Court of San Fernando de Apure is transferred to Puerto Ayacucho, Amazonas State, which will be renamed First Permanent Military Court of Puerto Ayacucho.

Article 5. The Fourth Military Prosecutor's Office to the Permanent War Council of Maracay, based in San Fernando de Apure, is transferred to Puerto Ayacucho, Amazonas State.

Article 6. The Defense Ombudsman's Office for the Accused Under Military Law of San Fernando de Apure is transferred to Puerto Ayacucho, Amazonas State, which will be renamed Defense Ombudsman's Office for the Accused Under Military Law of Puerto Ayacucho.

Article 7. The Permanent War Councils shall have the following territorial jurisdictions:

A. The Permanent War Council of Caracas: over the Federal District; Miranda State; and the federal territories closest to its jurisdiction, including territorial waters, the islands appearing or emerging in the same areas, the territory covering the continental shelf, the contiguous maritime zone, and the airspace under national sovereignty.

B. The Permanent War Council of Maracay: over the states of Aragua, Carabobo, Portuguesa, Cojedes, Lara, Guarico, Yaracuy, Amazonas, and Apure, except in Paez Municipality; Arismendi Municipality, Barinas State; and the federal territories closest to its jurisdiction, including territorial waters, the islands appearing or emerging in the same areas, and the airspace under national sovereignty.

C. The Permanent War Council of Maracaibo: over the states of Falcon and Zulia, except the municipalities of Colon and Sucre; and the federal territories closest to its jurisdiction, including territorial waters, the islands appearing or emerging in the same areas, the territory covering the continental shelf, the contiguous maritime zone, and the airspace under national sovereignty.

D. The War Council of Maturin: over the states of Anzoategui, Bolivar, Monagas, Nueva Esparta, Sucre, and Delta Amacuro; and the federal territories closest to its jurisdiction, including territorial waters, the islands appearing or emerging in the same area, the territory covering the continental shelf, the contiguous maritime zone, and the airspace under national sovereignty.

E. The Permanent War Council of San Cristobal: over Barinas State, except Arismendi Municipality; the states of Merida, Tachira, and Trujillo; Paez Municipality; and in the airspace under national sovereignty.

Article 8. The first permanent military courts shall have the following territorial jurisdictions:

A. The First, Second, and Third Permanent Military Courts of Caracas: over the Federal District; Miranda State; and the federal territories closest to its jurisdiction, including territorial waters, the islands appearing or emerging in the same area, the territory covering the continental shelf, the contiguous maritime zone, and the airspace under national sovereignty.

B. The Lower Permanent Military Court of La Guajira: over the Federal District; Miranda State; and the federal territories closest to its jurisdiction, including territorial waters, the islands emerging or appearing in the same area, the territory covering the continental shelf, the contiguous maritime zone, and the airspace under national sovereignty.

C. The First and Second Permanent Military Courts of Maracay: over the states of Aragua, Cojedes, and Carabobo; and federal territories closest to their jurisdiction, including territorial waters, the islands emerging or appearing in the same area, the territory covering the

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continental shelf, the continguous maritime zone, and the airspace under national sovereignty.

D. The Permanent Military Court of Barquisimeto: over the states of Lara, Portuguesa, and Aragua; and the federal territories closest to its jurisdiction, including territorial waters, the islands emerging or appearing in the same area, the territory covering the continental shelf, the contiguous maritime zone, and the airspace under national sovereignty.

E. The Permanent Military Court of Puerto Ayacucho: over the states of Amazonas and Apure, except Paez Municipality; Guarico in Barinas State's Arismendi Municipality; and the airspace under national sovereignty.

F. The First and Second Permanent Military Courts of Maracaibo: over the states of Falcon and Zulia, except Colon and Sucre Municipalities; and federal territories closest to their jurisdiction, including territorial waters, the islands emerging or appearing in the same area, the territory covering the continental shelf, the contiguous maritime zone, and the airspace under national sovereignty.

G. The Permanent Military Court of Maturin: over the states of Anzoategui, Bolivar, Monagas, Sucre, Nueva Esparta, and Amaruco Basin; and the federal territories closest to its jurisdiction, including territorial waters, the islands emerging or appearing in the same area, the territory covering the continental shelf, the contiguous maritime zone, and the airspace under national sovereignty.

H. The Permanent Military Court of Ciudad Bolivar: over the states of Anzoategui, Bolivar, Monagas, and Amacuro Basin; and the federal territories closest to its jurisdiction, including territorial waters, the islands emerging or appearing in the same area, the territory covering the continental shelf, the continguous maritime zone, and the airspace under national sovereignty.

I. The Permanent Military Court of Barcelona: over the states of Anzoategui, Nueva Esparta, Monagas, and Sucre; and the federal territories closest to its jurisdiction, including territorial waters, the islands emerging or appearing in the same area, the territory covering the continental shelf, the contiguous maritime zone, and airspace under national sovereignty.

J. The Permanent Military Court of Merida: over the states of Merida, Tachira, and Barinas, except Arismendi Municipality; Zulia State's Colon and Sucre Municipalities; and the airspace under national sovereignty.

K. The Permanent Military Court of San Cristobal: over the states of Merida, Tachira, and Barinas, except Arismendi Municipality, [as published] and the air space under national sovereignty.

L. The Permanent Military Court of Guasdualito: over Apure's Paez Municipality and all territory of this municipality, including the airspace under national sovereignty.

Article 9. Military prosecuting offices will have the same territorial jurisdiction in the War Councils to which they are accredited.

Article 10. The Permanent War Councils and the permanent military lower courts will continue to handle all proceedings that are under way, because they fall within their purview, according to the modified territorial jurisdiction.

Article 11. Decree 2401 of 29 September 1988 is repealed in all areas that conflict with the current provisions.

Article 12. The defense minister is tasked with implementing this decree.

Issued in Caracas on 15 March 1995, 184th year of our independence and the 136th year of our federation

250 Colombians Said To Return To Their Homeland

PA1703154895 Caracas EL NACIONAL in Spanish 16 Mar 95 p D-10

[Report by Alonso Zambrano]

[FBIS Translated Text] Maracaibo—Zulia State Governor Lolita Aniyar de Castro has confirmed that at the last minute, 250 settlers from a group of over 500 Colombians settled illegally in the El Bosque area, near the Perija mountain range, have voluntarily abandoned that area bound for Fonseca, a town in the southern part of La Guajira Department [Colombia].

This information was supplied to the governor by Jorge Perez Bernier, governor of La Guajira Department, who spoke over the telephone this Wednesday with the Palace of Los Condores in Maracaibo.

Including the exodus of 250 peasants who left voluntarily, the number of settlers who have returned to their country in the last 48 hours has increased to 300.

Asked about the reaction in Colombia over this development, including the protest note to be submitted by Narino Palace, the governor remarked that the Colombian Foreign Ministry was notified by its Venezuelan counterpart that the evacuation, initially scheduled for 31 March, would be advanced. Aniyar de Castro added she gave the same information to her counterpart from La Guajira Department, Jorge Perez Bernier, who accepted it as an exercise of Venezuelan sovereignty.

The military operation which could conclude this weekend is being carried out by the Infantry Division Command and Zulia Garrison, under the direction of Army Brigadier General Erasmo Lara Ortega, the governor said.

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Colombian Consulate Was Not Informed

Maria del Pilar Adames, in her capacity as acting consul of Colombia in Maracaibo, expressed her annoyance because the Consulate was not notified by the state government of this measure.

The representative of the Colombian Government in Maracaibo was taken yesterday to the region of El Bosque by helicopter to confirm the situation of Colombians remaining in that border region.

Cavidea Report on Food Shortages

95P20637A Caracas EL DIARIO DE CARACAS in Spanish 22 Feb 95 p 14

[By Raul Chacon Soto]

[FBIS Translated Text] According to the most recent analysis of the supply situation done by the Venezuelan Food Industry Chamber (Cavidea), shortages continue with respect to sugar, powdered milk, white cheese, aged cheese, and processed chicken, beef, and pork, while in a very short time there could also be problems with catsup production.

The report, whose figures reflect industry inventories as of 15 February, states that the main reasons for this problem are the drop in production of some products—raw milk, chicken, beef and pork—on the one hand, and the continuation of the price control system on the other.

With respect to sugar, the experts note that although inventories are normal, shortages exist because of problems that have occurred in the distribution network. "The profit margin is very small because the price control system is poorly adjusted."

As for powdered milk, they assert that there are no stocks at the factory level, since the supply of raw milk is in crisis because of the considerable reduction in domestic production levels. "This is in addition to the problems related to seasonality of production. Moreover, the international price of powdered milk is $2,350 per metric ton, which makes it impossible for the domestic industry to continue to produce without a review and adjustment of the product's final price."

The production problems for raw milk have also meant that there is a shortfall in white cheese and aged cheese. "This situation will tend to become worse because the effects of the summer are beginning to be felt."

The report stresses the difficult situation experienced by the chicken, beef, and pork processing industries. In the case of the chicken industry, the report notes that it is experiencing the worst crisis in the last 15 years because of "the prices levels and an insufficient supply of chicken for industrial use, which has caused production lines to be halted."

Regarding tomatoes, the report warns that if the consumer price of catsup is not adjusted, the purchase of the next tomato harvest by the industry will be affected.

Finally, Cavidea's figures show that supply is normal for the following products: rice, wheat and wheat flour, pastas, bread, precooked corn flour, cooking oils, and coffee.

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